

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Ameren Illinois Company	:	
d/b/a Ameren Illinois	:	
	:	17-0311
Approval of the Energy Efficiency and	:	
Demand-Response Plan Pursuant to	:	
220 ILCS 5/8-103B and 220 ILCS 5/8-104.	:	

PROPOSED ORDER

August 29, 2017

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By the Commission:

I. INTRODUCTION AND PROCEDURAL HISTORY

On June 30, 2017, Ameren Illinois Company d/b/a Ameren Illinois ("Ameren Illinois," "AIC" or the "Company") filed with the Illinois Commerce Commission ("Commission") its Petition for Approval of its Electric Energy Efficiency and Demand-Response Plan and Natural Gas Energy Efficiency Plan ("2018 Plan" or the "Plan"), pursuant to Sections 8-103B and 5/8-104 of the Illinois Public Utilities Act ("PUA"), 220 ILCS 5/1-101 et seq. The verified Petition seeks approval of AIC's 2018 Plan for the time period January 1, 2018 through December 31, 2021.

Pursuant to due notice as required by law and by the rules and regulations of the Commission, a prehearing conference was held in this matter before a duly authorized Administrative Law Judge ("ALJ") at the Commission's offices in Springfield on July 21, 2017. The Staff of the Commission ("Staff") and the Illinois Attorney General's Office ("AG") participated. The petitions to intervene of the Citizens Utility Board ("CUB"), the Environmental Law & Policy Center ("ELPC"), the Environmental Defense Fund ("EDF"), and the Retail Energy Supply Association ("RESA") were granted.

An evidentiary hearing was held on August 8, 2017. AIC presents the testimony of its employees: Keith A. Martin ("K. Martin"), Director Energy Efficiency; Matthew E. Noonan, Regulatory Specialist in the Illinois Regulatory Policy and Rates Department; Keith E. Goerss, Director of Rates & Analysis; and Steven D. Martin ("S. Martin"), Supervisor, Regulatory Accounting. AIC also presents the testimony of Andrew W. Cottrell, Director, Utility Consulting and Ingrid Rohmund, Senior Vice President, both of Applied Energy Group, Inc. Staff presents the testimony of Theresa Ebrey, an Accountant in the Accounting Department of the Financial Analysis Division; and Dr. David Brightwell, an Economic Analyst in the Policy Program of the Policy Division at the Commission. The AG presents the testimony of Philip H. Mosenthal, founding partner of Optimal Energy Inc. and Michael Prince, Weatherization Program Manager for the Illinois Home Weatherization Assistance Program ("IHWAP") at the Illinois Department of Commerce and Economic Opportunity ("DCEO" or "Department"). RESA presents the testimony of Robert L. Gibbs, Director of Corporate and Regulatory Affairs for Direct Energy Services

LLC ("Direct Energy"). NRDC, CUB, and EDF ("NRDC-CUB-EDF") jointly present the testimony of Chris Neme, co-founder and Principal of Energy Futures Group. The record was marked "Heard and Taken" on August 28, 2017.

AIC, Staff, NRDC-CUB-EDF, and the AG filed Initial Briefs on August 17, 2017. AIC, NRDC-CUB-EDF, and the AG filed Reply Briefs on August 22, 2017.

II. BACKGROUND

On June 1, 2017, Public Act 99-0906 ("PA 99-0906") became effective. PA 99-0906 amends the PUA to include Section 8-103B. For purposes of Section 8-103B, AIC is an electric utility that serves less than 3,000,000 but more than 500,000 retail customers in Illinois. Section 8-103B sets forth certain requirements for an electric utility that fits this classification. Section 8-103B(f) provides, among other things, that a utility subject to its requirements must file a 4-year energy efficiency plan with the Commission in accordance with the electric savings standards set for each year of the 4-year plan period commencing on January 1, 2018 and ending on December 31, 2021. Additionally, pursuant to Section 8-104(f) of the PUA, each natural gas utility must file a natural gas energy efficiency plan with the Commission designed to meet the energy efficiency standards for the 4-year period beginning January 1, 2018. Ameren Illinois submits the 2018 Plan, which reflects a dual fuel portfolio of programs, for Commission approval in accordance with those requirements.

Sections 8-103B(g)(1) and 8-104(f)(1), require that the 2018 Plan identify cost effective energy efficiency programs, initiatives and measures that satisfy the statutory requirements of Sections 8-103B and 8-104. Section 8-103B(b-15) and (b-20) set forth the cumulative persisting annual savings goals to be achieved each year and the savings from voltage optimization measures, respectively. Section 8-103B(f) provides that the utility shall file a plan that is designed to achieve the cumulative persisting annual savings ("CPAS") goals in subsection (b-15) for a utility in AIC's classification. Section 8-103B(f) provides that the savings goal may be reduced if: (1) the plan's analysis and forecasts demonstrate that the prescribed goal is not cost effective and (2) the utility's energy savings achieved in the most recent year was less than the average annual savings required for the four year plan. Section 8-103B(m) provides that the Commission shall reduce the amount of energy efficiency measures implemented for any single year, by an amount necessary to limit the estimated resulting average net increase to no more than 3.5%. Section 8-104(c) sets forth the energy efficiency savings goals for gas utilities. Section 8-104(d) requires a utility to limit the amount of energy efficiency implemented in a four year plan as necessary to limit the increase in gas costs for customers to no more than 2% during the four year plan. Section 8-104(d) provides that the Commission may reduce the energy savings requirements if the utility demonstrates that it is highly unlikely the required savings could be achieved without exceeding the spending limits.

Sections 8-103B and 8-104(f) provide additional criteria that the Plan must meet. In summary, the Plan must:

- Be designed to achieve applicable requirements, identified in subsection (b-15), as modified by subsection (f);

- Present specific proposals to implement new building and appliance standards, Sections 8-103B(g)(2) and 8-104(f)(2);
- Demonstrate the cost-effectiveness of the plan at the portfolio level, using the Total Resource Cost Test ("TRC") exclusive of certain programs targeted at low-income customers. (Individual measures need not be cost-effective), Sections 8-103B(g)(3) and 8-104(f)(3);
- Represent a diverse cross-section of opportunities for non-exempt customers of all rate classes, Id.;
- Present a third-party electric energy efficiency implementation program, beginning January 1, 2019, Section 8-103B(g)(4);
- Reduce peak demand by 0.1% over the prior year, Section 8-103B(g)(4.5);
- Propose cost-recovery tariff mechanisms to fund the energy efficiency investment, Section 8-103B(g)(4.5);
- Provide for an annual independent evaluation, measurement and verification of savings achieved, Sections 8-103B(g)(6) and 8-104(f)(8);
- Ensure no more than 6% of its revenue for research, development, or pilot deployment of new measures, Sections 8-103B(h) and 8-104(g);
- Allocate a minimum of 7% of the electric and 10% of the gas budgets for measures procured from units of local government, municipal corporations, school districts, public housing, and community college districts, with a defined minimum percentage to be spent on public housing alone, Sections 8-103B(c) and 8-104(e-5).

Pursuant to Section 8-103B(g)(7.5), (8), and (9), electric utilities have the opportunity to create a regulatory asset funded by energy efficiency expenditures and earn a return on that asset pursuant to an energy efficiency formula rate approved by the Commission. The basis points used to calculate that return can be modified, up or down, depending on utility performance achieving annual incremental savings.

III. 2018 Plan

A. Commission Authority

AIC asserts that Sections 8-103B and 8-104 authorize the Commission to review the proposed plan for compliance with the PUA and for reasonableness. Sections 8-103B(f) and 8-104(f). It states that if the Commission agrees that a plan meets the requirements of the PUA, and finds that the plan constitutes a reasonable mix of programs and measures, the Commission can and should approve the proposed plan. Id.; see also, e.g., Docket No. 16-0413, Final Order (Jan. 25, 2017) at 6 (note, this Final Order was ultimately voided by Section 5/8-103(l)). The Company indicates that traditionally, if the Commission determines the plan requires modification, the Commission has approved the plan conditioned on the Company making a compliance filing with modifications conforming the plan to the requirements of the Final Order. See, e.g., Docket No. 13-0498, Final Order (Jan. 28, 2014) at 176; Docket No. 10-0568, Final Order (Dec. 21, 2010) at 109.

AIC asserts that the Commission is authorized to review and approve the proposed plan, but cautions that the Commission's decision must be grounded in substantial record evidence. It states that appellate courts reviewing a Commission decision or Final Order "shall reverse" the decision or order if they find that "[t]he findings of the Commission are not supported by substantial evidence based on the entire record of evidence presented to or before the Commission." Section 5/10-201(e)(iv).

In its Reply Brief, AIC states that Section 8-103B(d) does not set a date for the initial rates to be put into effect, but rather provides that the "initial rates shall take effect beginning with the January monthly billing period following the Commission's approval." The Company recommends that the proper billing period, as set forth in the PUA, should be referenced in the Final Order.

B. Overview of the Plan

Ameren Illinois asserts that the 2018 Plan meets each requirement of the PUA and will deliver much needed investment and opportunities to manage energy usage to a diverse cross-section of customers of all rate classes, taking into account the unique circumstances of AIC's service territory. Ameren Illinois is the only dual-fuel public utility in Illinois subject to the savings standards set forth in Sections 8-103B and 8-104 of the PUA. Ameren Illinois states that it serves approximately 1.2 million electric customers with approximately 680,000 of these customers also receiving gas service from Ameren Illinois (i.e., dual fuel customers). In addition, AIC delivers natural gas to approximately 810,000 gas customers, with approximately 130,000 of these customers receiving electric delivery service from an entity other than Ameren Illinois. AIC states that the Plan allocates the maximum budgets allowed by law—a combined \$114 million per year (approximately) for both gas and electric programs. AIC asserts that the record evidence establishes the necessity and propriety of modifying AIC's gas and electric savings goals.

AIC states the Plan offers a robust portfolio of electric and natural gas energy efficiency measures, as well as voltage optimization measures, to the Company's non-exempt customers, while also reducing peak demand. The 2018 Plan integrates natural gas and electric efficiency measures into single programs, when possible. Messrs. K. Martin and Cottrell testify that AIC's dual fuel portfolio is cost-effective under the TRC Test. The Company indicates the 2018 Plan has a TRC value of 2.0 with consideration of the low-income and public housing measures and a TRC value of 2.2 without consideration of those measures.

The 2018 Plan encompasses the four consecutive calendar years beginning on January 1, 2018 and ending December 31, 2021, i.e., 2018, 2019, 2020 and 2021. The Company proposes three tariffs to implement the Plan, in accordance with Sections 8-103B(g)(5), (g)(9) and 8-104: Rider EE - Energy Efficiency and Demand Response Investment ("Rider EE") and Rider APM – Annual Performance Modifier ("Rider APM") for electric, and Rider GER – Gas Efficiency Cost Recovery ("Rider GER") for gas.

AIC states that the Plan represents the collaborative efforts of the Company and other participants of the Illinois Stakeholder Advisory Group ("SAG") and the Economically Disadvantaged Advisory Committee. The Company explains that it developed a key set of objectives, sought input from a variety of stakeholders, including those that traditionally participate in the SAG, and designed a robust portfolio of electric

and gas energy efficiency programs, initiatives and measures. The Plan comprises a Residential and a Business Program, each of which feature multiple initiatives for customers to participate in electric and gas energy efficiency.

AIC anticipates that its range of delivery strategies provide all non-exempt customers in the Ameren Illinois service territory meaningful opportunities to participate. The Company states its strategies target a diverse cross section of customers. AIC asserts that the Plan continues the commitment of Ameren Illinois to provide best in class energy efficiency programs, while implementing delivery strategies designed to provide opportunities to hard to reach customers, including those in low-income markets. The Company asserts that the Plan meets the statutory objectives. It asserts that the Plan incorporates new and innovative low-income measures offering a diverse cross-section of opportunities for residential and business customers to participate in energy efficiency. AIC states the Plan's focus is on: (1) increasing participation of economically challenged communities and customers; (2) transforming delivery methods and market channels through development and use of diverse businesses; and (3) continuing successful implementation strategies and maintaining program delivery momentum. It maintains that the Plan achieves optimal savings while investing in the development of technologies and delivery channels for the future.

Ameren Illinois asserts that the record overwhelmingly supports approving the 2018 Plan. The Company states the Plan includes: (1) primary market data and research taken from AIC's service territory establishing that the maximum achievable potential savings are less than the unmodified savings goals; (2) analysis provided by planning and implementation experts with real life experience implementing programs in Illinois that establishes that the unprecedented participation rates set aggressive (and possibly unattainable) savings goals; (3) a set of programs and initiatives that are designed to deliver meaningful, potentially life changing measures to customers who have previously gone unserved or underserved; and (4) a commitment to invest in developing a forward-focused energy efficiency workforce and market delivery channel that reflects diversity and inclusion and focuses on communities that make up the AIC service territory. AIC concludes that the evidence firmly establishes the lawfulness and reasonableness of the 2018 Plan, including the planned investment and aggressive modified savings goals.

C. Plan Development

Ameren Illinois states that its prior plans were consulted and considered when developing the 2018 Plan. The Company asserts that it assembled a team of industry and company experts to develop the Plan. AIC indicates that its focus was to develop a plan that leveraged best practices from the industry while accurately modeling savings and costs using version 6.0 of the Illinois Technical Reference Manual ("IL-TRM"). The Company indicates that the team also used the Illinois Energy Efficiency Policy Manual, Version 1.10 ("EE Policy Manual") as an important reference and guiding framework. Mr. K. Martin testifies that the Plan was developed in accordance with Section 4.1 of the EE Policy Manual.

AIC indicates that the team considered requirements of PA 99-0906, with specific attention given to cumulative persistent annual savings ("CPAS"), serving low-income and

underserved communities, development of diverse suppliers, and integration of the gas and electric programs. The Company states that key portfolio objectives were:

- Incorporation of new and innovative low income and public sector programs, as well as market transformation initiatives;
- Leveraging current programs and ongoing successful implementation activities while maintaining program delivery momentum;
- Maintenance of a diverse portfolio of initiatives under the residential and business programs serving all customer classes with a focus on delivering energy efficiency programs to underserved residential low- and moderate-income communities;
- Increasing the use of diverse suppliers;
- Increasing participation of economically challenged communities; and
- Retaining flexibility to manage the risks and uncertainties associated with PA 99-0906 and its objectives as well as the unique circumstances of the Ameren Illinois service territory.

The Company affirms its commitment to a collaborative SAG process. Mr. K. Martin testifies that, during the developmental process, Ameren Illinois participated in a collaborative process led by SAG and including the Economically Disadvantaged Advisory Committee, which was convened after the passage of PA 99-0906. Mr. K. Martin explains that working with the Economically Disadvantaged Advisory Committee was especially useful as it convened a large number of groups and parties that have not traditionally presented the Company or the Commission with their perspectives on utility-delivery of energy efficiency programs to some of the State's neediest communities. The Company affirms that it intends to continue working on process improvements through the SAG facilitation team.

AIC states that significant changes were required to the electric portion of AIC's plan due to PA 99-0906's new requirements. The Company explains that the goals needed to be adjusted to account for loss of the savings the plan assumed would be achieved from those customers with a 15 minute demand of over 10 MW. It states that this customer group has historically provided approximately 42% of the business savings for AIC. AIC adds that the role the DCEO had previously played in implementing energy efficiency targeted at low-income customers and public customers, and market transformation initiatives was transferred to the utilities. The Company notes that the procurement of energy efficiency was removed from the purview of the Illinois Power Agency ("IPA"), such that all electric energy efficiency planning became subject to the budget limits prescribed in Sections 8-103B(m), as well as the rate impact tests set forth in Sections 16-108.15 and 16-108.16 of the PUA.

AIC states that it reconvened its internal planning team, headed up by Ms. Rohmund, Mr. Cottrell, and a team of expert planning consultants from Applied Energy Group ("AEG"), which it says is a leading energy efficiency consulting group.

Mr. K. Martin testifies that that 2018 Plan conforms to the requirements of Section 8-103B and Section 8-104. He describes the Plan, stating that it has: (1) an executive

summary; (2) a description of the key features, including energy savings goals and budgets; (3) a discussion of the development process; and (4) a description of how the Plan complies with PA 99-0906. Mr. K. Martin states the Plan provides the Portfolio objectives, high level program descriptions, a discussion of portfolio management and cross function activities such as marketing, tracking, reporting, development of new programs, risk management and supplier diversity. He explains that the Plan describes how both energy efficiency and demand response costs will be recovered and includes Appendices with technical information, including the program details.

The Company proposes to make a compliance filing of any updates to the budgets, unmodified savings goals and modified savings goals, within 60 days of the conclusion of calendar year 2017. Mr. K. Martin states the filing will simply update the appropriate Appendices to reflect the application of the final Exempt Customer list to the calculations set forth in Mr. Noonan's testimony. He testifies that the PUA provides for a separate docket for review and approval of the actual voltage optimization plan.

D. Adjusted Savings Goals

1. AIC's Position

Ameren Illinois states that it has had authorization to adjust its gas and electric savings goals in the past. The Company proposes to apply the consensus provisions for adjustable gas goals as set forth in Version 1.1 of the EE Policy Manual. The Company initially proposed adjustable savings goals for electric, stating that Version 1.1 of the EE Policy Manual allows for Ameren Illinois to make a proposal to the Commission with respect to an adjustable goals policy for electric. The Company says that consistent with past Commission approval, the Company once again requests that the annual electric savings goals be adjusted upward or downward to incorporate variables that are beyond the Company's control, including changes to the IL-TRM and changes to the applicable net-to-gross ratios ("NTGRs"). Mr. K. Martin opines this request is fair because it accounts for the wide swing in savings adjustments that can occur when certain measures, like lighting, get new NTGRs. He notes that this could lead to either a downward or upward swing in savings goals. He also asserts that having adjustable goals during Plan 3 has minimized the litigation between SAG members and Ameren Illinois with respect to the determination of IL-TRM values and NTGRs, which are subjective decisions determined by an independent third-party, with input from SAG members. The Company includes a template showing how Ameren Illinois' adjustable goals proposal would work for both gas and electric savings goals in the Plan as Appendix G. Ameren withdrew its request for adjustable savings goals in its rebuttal testimony.

2. Staff's Position

Staff notes that AIC proposed to adjust the Plan savings goals annually based upon changes to the IL-TRM values. Staff states that the Policy Manual Version 1.1 (pending approval in Docket No. 17-0270) prescribes a method for counting adjustable savings goals for gas programs. Staff asserts that the Policy Manual allows electric programs to request adjustable savings goals as part of an electric plan filing, among other settings. Staff states AIC requested an adjustable savings goal for its electric plan, which was opposed by intervenors, and withdrew the request for the Commission to decide on the efficacy of electric adjustable savings goals at this time. Accordingly, Staff

requests that the Commission make no finding with respect to applicability of adjustable savings goals to electric energy efficiency plans in this proceeding.

E. Gas Energy Efficiency Budget and Savings Goals

1. AIC's Position

Mr. Noonan presents AIC's analysis and calculation of the energy efficiency budgets and savings goals set forth in Sections 8-104(c) and (d), accounting for those customers excluded pursuant to Section 8-104(m). He also calculated the demand response goals identified in Section 8-103B(g)(4.5) for each of the four calendar years that comprise the 2018 Plan.

Mr. Noonan calculates that for the gas efficiency program, the 2018 Plan budget is \$62,335,717. He states that the gas budget over the four years totals \$62,336,000: \$15,667,000 in 2018; \$15,361,000 in 2019; \$15,576,000 in 2020; and \$15,732,000 in 2021. He notes that the budget has increased as compared to Plan 4 but states that the transition to a four-year budget as opposed to a three-year budget explains much of the change. Mr. Noonan states the Plan 4 cumulative three-year budget (inclusive of the Department) was \$44,776,305. He states the \$62,335,717 budget for the 2018 Plan represents an increase of \$17.6 million or 39%. He adds that the average annual budget of the 2018 Plan is \$15.6 million, compared to the average annual budget for Plan 4 of \$14.9 million, an increase of 4.23%.

AIC states that in 2016, in accordance with Section 8-103A, it hired AEG, which includes Ms. Rohmund, among others, to conduct a study of the achievable market potential for gas and electric savings in AIC's service territory ("Study"). AIC asserts that its Study establishes that the unmodified gas savings goals substantially exceed the savings that could actually be achieved. It states, for example, that the 2018 unmodified savings goal for natural gas savings is 1,571 dekatherms, which is more than three times greater than the realistic achievable potential ("RAP") and more than twice the maximum achievable potential for that same year.

The Company proposes a gas savings goal modified from 1,571 to 371 dekatherms in 2018; from 1,683 to 352 dekatherms in 2019; from 1,643 to 307 dekatherms in 2020; and from 1,644 to 312 dekatherms in 2021. The total savings goal would go from 6,541 to 1,344 dekatherms. The Company asserts that AIC's proposed annual gas savings goals are uncontroverted.

2018 Plan Modified Gas Annual Savings Goals (Therms)*

	2018	2019	2020	2021
RES	1,434,471	1,453,249	1,513,578	1,513,578
BUS	2,282,020	2,071,303	1,561,036	1,615,627
Total	3,716,491	3,524,551	3,074,614	3,129,204

* Table taken from Ameren Exhibit 9.0 (Rev.) (Cottrell Reb.) at 48.

2. Staff's Position

Staff states that in direct testimony Mr. K. Martin testified that the Company will apply consensus provisions in Version 1.1 of the Policy Manual to the Company's gas goals. Staff finds this statement incongruous with a response the Company provided to AG DR 4.18. Dr. Brightwell opines that AIC's data request response indicates that the Company is requesting annual adjustments to gas savings goals as NTGR change. The Policy Manual clearly states that gas savings goals shall not be adjusted annually for changes in NTGR:

Gas utility annual energy savings goals will be adjusted to align them with changes to IL-TRM values.

In addition, gas utility annual energy savings goals will be adjusted for the entire Plan period, prior to the start of the first Plan Year of an approved Plan, so that they are aligned with the most recent Evaluator's recommended Net-to-Gross (NTG) values available. No further adjustments to goals shall be made in response to new estimates of NTG values that are developed and applied during the Plan period (i.e. once the Plan period has begun).

(Policy Manual, 17.) Dr. Brightwell notes that a request to adjust gas savings as NTGR changes is contrary to the Policy Manual. Staff indicates that it is unclear whether this issue is, in fact, contested. Nevertheless, in order to be absolutely clear, Staff requests that the Commission order indicate that adjustable savings goals for AIC's gas program follow the procedures approved in the Policy Manual.

3. Commission Analysis and Conclusion.

No party objects to AIC's gas budget or its proposal to modify its gas savings goals as provided under Section 8-104(c) and (d). Based on a review of the evidence, the Commission finds that AIC's proposed gas budget should be approved. The Commission finds that it is highly unlikely that the gas savings requirements could be achieved by Ameren Illinois without exceeding the applicable spending limits during Plan years 2018 through 2021. The Commission finds that AIC's savings goals for its gas program are approved.

F. Electric Energy Efficiency Budget

Mr. Noonan presents the analysis and calculation of the electric budgets for each year of the four years of the 2018 Plan. Mr. Noonan calculates that after accounting for the Exempt Customers, the Company's electric energy efficiency budget will be \$98,562,756 for each year of the four year Plan. Mr. K. Martin explains that the electric savings budget and goals will have to be updated to reflect the final Exempt Customer list that will not be known until the conclusion of calendar year 2017.

Ameren Illinois initially proposed that the annual electric savings goals be adjusted upward or downward to incorporate variables that are beyond the Company's control, including changes to the IL-TRM and changes to the applicable NTGRs. Mr. K. Martin withdrew the proposal in rebuttal testimony. The Company notes that AIC continues to

have the rights afforded by the EE Policy Manual to adjust gas savings goals and to request the Commission to approve adjustable goals in a future docket, if appropriate.

No party objects to AIC's proposal to modify its electric efficiency budget. Based on a review of the evidence, the Commission finds that AIC's proposed electric efficiency budget should be approved.

G. Savings Goals

1. AIC's Position

Ameren Illinois asserts that it is necessary to modify its electric savings goals because it cannot achieve the unmodified savings goals while keeping within the maximum budgets allowed by law. It explains that AIC could not meet the unmodified savings goals by spending the maximum budgets allowed by law, but that reasonable modified goals that can be met through a portfolio of programs and investments that comply with the letter and purpose of the PUA are necessary.

Mr. Noonan calculates that for the electric efficiency program, the four years of the program, the cumulative persisting annual savings ("CPAS") goal is 2,740,064 megawatt hours ("MWh"). The applicable annual incremental goals needed to maintain the cumulative persisting savings goal is 223,679 MWh per year. AIC proposes a modified electric savings goal of 79,644 MWhs in 2018; 167,087 MWhs in 2019; 72,966 MWhs in 2020; and 137,858 MWhs in 2021.

Ameren Illinois states that Section 8-103B(b-10) sets CPAS goals, in terms of a percentage of a deemed baseline of 36,900,000 MWhs. The Company explains that the CPAS goals set the percentage of "persisting" savings that AIC must achieve in a given year: 7.4% for calendar year 2018; 8.2% for calendar year 2019; 9.0% for calendar year 2020; and 9.8% for calendar year 2021. It says the PUA makes clear that "[t]he difference between the cumulative persisting annual savings goal for the applicable calendar year and the cumulative persisting annual savings goal for the immediately preceding calendar year is 0.8% for the period of January 1, 2018 through December 31, 2025." Section 8-103B(b-15). Thus, the unmodified CPAS goals equal an incremental annual savings amount of 0.8% of the deemed baseline, year over year.

AIC states that the PUA also relies on persisting annual savings goals to determine whether the utility's annual incremental savings achievement warrants an increase or decrease in the authorized rate of return variable reflected in the formula rate in place to fund the energy efficiency investments. It explains that this incremental amount equals the "Applicable Annual Incremental Goal." The Company states that Section 8-103B(g)(7.5) defines the Applicable Incremental Goal as "the difference between the cumulative persisting annual savings goal for the calendar year that is the subject of the independent evaluator's determination and the cumulative persisting annual savings goal for the immediately preceding calendar year, as such goals are defined in subsections (b-5) and (b-15) of this Section and as these goals may have been modified as provided for under subsection (b-20) and paragraphs (1) through (3) of subsection (f) of this Section."

AIC maintains that it provides the only market-based analysis and that it demonstrates that the available budgets for both gas and electric are wholly insufficient to achieve the unmodified annual saving goals. Ms. Rohmund testifies that it is highly

unlikely and unrealistic to believe that Ameren Illinois can meet the unmodified savings goals, while meeting the objectives and staying within the specified budget limits of the PUA. Mr. Cottrell testifies that the 2018 Plan, with modified savings goals, complies with budget limitations, efficiency standards and all other requirements set forth in the PUA.

Ameren Illinois asserts that these opinions are supported with, among other things, the results of the Study, conducted in accordance with Section 8-103A, a review and assessment of the planning assumptions, and the resulting 2018 Plan itself. The Company state that while other parties have criticized AIC's analysis, no party has presented a realistic alternative plan that, if implemented, could meet the unmodified savings goals within budget. AIC maintains that the Study shows that the unmodified electric savings goals could not be met cost-effectively even with an unlimited budget. The Company criticizes the parties' proposed changes to the planning assumptions, saying they bear little relation to reality or shift measures that would deny them to those customers who need access to energy efficiency the most.

AIC concludes that the substantial evidence establishes that the Company cannot achieve the unmodified savings goals while keeping within the maximum budget allowed by law. The Company asserts that the evidence establishes that it is necessary to modify those savings goals.

a. Statutory Basis

AIC states that the Plan allocates the maximum budgets allowed by law, a combined \$114 million per year (approximately) for both gas and electric programs. According to the Company, this triggers the Commission's authority to modify both the gas and electric annual incremental savings goals, under Sections 8-103B(f)(1) and (m) and Section 8-104(d). Ameren Illinois maintains that its 2018 Plan is aggressive with unprecedented planning assumptions and that modification of its gas and electric savings goals is necessary and appropriate.

In its Reply Brief, AIC disputes NRDC-CUB-EDF's and the AG's arguments that rather than modifying the savings goals, AIC should scale back resources allocated to meeting discretionary objectives, and allocate those resources instead to meeting savings goals that are expressly set forth in the statute. AIC asserts that the Section 8-103B(m) does not require that a Plan spend each and every dollar to achieve the maximum theoretical cost-effective savings. The Company asserts that Section 8-103B(f)(1) provides: "Except as provided in subsection (m) ..." (Company emphasis) expressly excludes such a requirement. The Company argues that Section 8-103B sets forth a myriad of requirements and policy objectives that should not be tossed aside, simply because the maximum budget amounts are being spent. The Company states that it has allocated the maximum budget and asserts that it cannot meet the statutory savings goal within the statutory budget. It argues that the question for the Commission is whether the Plan is reasonably designed to accomplish the goals of Section 8-103B, including appropriate modification of the savings goals, within the confines of that budget.

In its Reply Brief, Ameren Illinois asserts that there is no evidence in the record of motivation to seek modified goals to increase the likelihood that the Company will earn a higher return on its regulatory asset. The Company notes Mr. Goerss' testimony that while AIC does have the opportunity to earn some basis point adjustments with modified

goals, there is an increased downside risk with lower goals because the percentage by which AIC can miss its goal without a hit to its rate of return is lower. The Company compares the proposed modified goal with Mr. Mosenthal's suggestion to smooth the net annual incremental efficiency program savings goal over the Plan period. AIC states that the modified goals would require it to achieve greater savings each year. AIC asserts that under Section 8-103B the Commission cannot modify a goal to make it higher than that which is authorized by the PUA.

b. The Study

The Company asserts that the Study conducted in 2016, took months to complete, relied on primary market research, including customer surveys, and applied a rigorous analytical process to eliminate biases inherent in individual opinions. AIC states that the planning assumptions used by the planning team include an unprecedented level of planned participation. It explains that the assumptions are based on the expertise and experience of the AIC planning team and represent a realistic picture of what it will take to achieve the planned annual savings goals.

Ameren Illinois states that the Commission (and other parties) have previously relied upon potential studies like the Study. See .e.g., Docket No. 13-0498, Final Order at 171-173 (addressing the purposes of potential studies); see also Section 16-111.5B(a)(3) of the PUA (calling for the submission of a potential study to the IPA and Commission to assess market potential); Docket No. 14-0588 Final Order (Dec. 17, 2014) at 141 (CUB requesting a “maximum potential” study ... of the same sort required for incremental energy efficiency programs already participating under Section 16-111.5B”.) Ms. Rohmund presents the results of the Study. The Company reiterates that potential studies have long been used by the Commission to assess energy efficiency programs and measures that could be included in utility plans. AIC states they are akin to Cost of Service studies in rate cases—they provide vast primary market data, research (in the form of customer surveys) and analysis on the available and achievable cost-effective savings in the AIC service territory.

Ms. Rohmund testifies that the Study considers the availability of technologies in the marketplace, the type of delivery channels, and customer acceptance, which is influenced by customer preferences for high-efficiency options and available budget at the time the study is conducted to determine achievable potential. Achievable potential is separated into two scenarios: maximum achievable potential (“MAP”) and realistic achievable potential (“RAP”). Ms. Rohmund explains that MAP represents the amount of energy savings that may be achieved under ideal market conditions where the influence of market barriers is reduced. She states that, in general, ideal market conditions are characterized by full customer awareness and acceptance of energy efficiency measures and virtually unlimited budget. In her assessment, achieving MAP is unrealistic absent ideal market conditions.

Ms. Rohmund explains RAP considers real-world market conditions and customer decision-making processes using the survey data collected specifically for the study and specifically for AIC customers. Ms. Rohmund opines that RAP reflects the closest estimate to the actual amount of savings that AIC could reasonably be expected to achieve through demand side management programs.

Ms. Rohmund concedes that potential studies are not an exact science. But she asserts a range of estimates, from 90% of the RAP to no higher than the MAP, should be used in the planning process. Ms. Rohmund notes that the unmodified savings goals are greater than the MAP calculated in the Study. She maintains that the results of the Study are conclusive, and the energy savings potential needed to achieve the unmodified savings goal simply does not exist for either electric or gas, particularly in light of the limited budget available.

AIC asserts that the only pertinent update to the conclusions of the Study was to screen for the loss of the now-exempt 10 MW customers as an available source of electric savings. It maintains that the remainder of the Study, which covers the 2018-2021 plan period and beyond, remains relevant, useful and determinative of the issue of whether modified savings goals are warranted and necessary.

AIC disputes the criticisms that potential studies are “inherently conservative.” The Company emphasizes that regulatory bodies across the country—including the Commission—require and rely on potential studies. It states they are comprehensive studies of the relevant service territory that rely on primary market data when providing a range of savings that can be used to develop energy efficiency plans and savings goals. AIC argues that the importance and relevance of potential studies is recognized by the requirement in Section 8-103A, that utilities submit [Section 8-103] an analysis of additional cost-effective energy efficiency measures with Section 8-103 energy efficiency and demand plans. It notes that former Section 16-111.5B (a)(3)(A) also required AIC to submit its Study in connection with its assessment of market potential for energy efficiency procurement.

In response to complaints that the Study does not reflect the same values included in the 2018 Plan, the Company asserts that while the Study was completed in 2016, updating and aligning the Study with each and every assumption made in the 2018 Plan would not change the conclusion that the MAP for gas and electric savings is far below the unmodified savings goals. The Company argues that although this update was suggested by other parties, it is not required nor standard in the industry. Ms. Rohmund indicates that she would expect the MAP and RAP values to increase 15-25% if all relevant data were updated. However, she asserts, even in this best case scenario, the MAP would still fall short of the statutory CPAS. AIC observes that this Study, as written, was submitted, unchallenged by these parties, as part of the record in Docket No. 16-0413, where the Commission approved AIC's Plan 4.

AIC's Reply Brief rejects NRDC-CUB-EDF's argument that the Study is not a statutorily recognized justification for reducing savings under Subsection (m). The Company asserts that the Commission has relied upon potential studies under Section 8-103. AIC emphasizes that the Study was submitted to the Commission in Docket No. 16-0413.

The Company disputes the AG's and NRDC-CUB-EDF's arguments that potential studies are inherently conservative and unreliable. AIC asserts that the Study was designed to reduce the risk of inherent bias toward conservatism through a wide breadth of primary market data research. It responds to NRDC-CUB-EDF's assertion that Ms. Rohmund offered no information regarding the 28 utilities she used to compare potential

versus actual savings achievements, saying that all of her workpapers were provided. The Company states that the two states, relied upon by NRDC-CUB-EDF, that exceeded their MAP as calculated in a potential study, had unlimited budgets.

In its Reply Brief, AIC asserts that even if the Study were updated as NRDC-CUB-EDF suggest, the MAP would still fall below the unmodified statutory goals. The Company continues to argue that NRDC-CUB-EDF and the AG rely too heavily on Commonwealth Edison Company ("ComEd") as a model for the savings AIC could achieve. The Company maintains that the use of an unweighted "national average" rather than a weighted average or subset of the national data is more appropriate. Ameren Illinois relies upon Mr. Cottrell's testimony about the inapplicability of a comparison to ComEd.

AIC argues that its savings yields are well within the average range of a national data set. The Company asserts that Mr. Cottrell's analysis of programs across a variety of utilities throughout the United States shows that AIC falls within the zone of reasonableness. He states that in many instances (i.e., appliance recycling, behavioral modification and income qualified) ComEd is an outlier. He concludes that a comparison with ComEd is unhelpful.

As Mr. Cottrell concludes, comparing Ameren Illinois to the national average is a more complete and representative comparison, as opposed to only making a comparison to a single utility that does not have the same utility or program characteristics as Ameren Illinois. AIC yields and non-incentive percentages are very much in line with the national average.

c. The Energy Efficiency Portfolio

Ameren Illinois emphasizes that although it cannot meet the unmodified savings goals set forth in either Section 8-103B or Section 8-104, the 2018 Plan proposes to spend the maximum budget allowed by law to achieve reasonable, modified annual savings goals under both Section 8-103B and 8-104, while still meeting the other objectives and requirements of the Act. The Company asserts that the 2018 Plan, as modified to reflect Staff's recommendations, includes programs, initiatives and measures that address each of the requirements of Section 8-103B and 8-104, while providing a diverse cross section of opportunities to AIC customers. AIC states that it plans to achieve participation rates that have never been achieved before for these programs.

The Company argues that the record supports approving the 2018 Plan. AIC states the record: (1) includes market data and research from AIC's service territory establishing that the MAP savings are less than the unmodified savings goals; (2) establishes that the unprecedented participation rates set aggressive savings goals; (3) presents a set of programs and initiatives to deliver meaningful, potentially life changing measures to customers who have previously gone unserved and or underserved; and (4) reflects a commitment to invest in developing a forward-focused, diverse, energy efficiency workforce and market delivery channel with a focus inclusive of the communities that make up the AIC service territory. Ameren Illinois maintains that its evidence firmly establishes the lawfulness and reasonableness of the 2018 Plan, including the planned investment and aggressive modified savings goals.

Mr. Cottrell testifies to the reasonableness of the planning assumptions, as well as how the savings “yield rates” compare favorably to the national average. The Company asserts that the AG's arguments to the contrary were demonstrated to be incorrect, observing that the AG's testimony was corrected after Mr. Cottrell's rebuttal. AIC states that NRDC-CUB-EDF's comparisons of AIC to ComEd are unsubstantiated. Ameren Illinois maintains that its robust planning process led to a reasonable Plan that sets aggressive, hard-to-reach savings goals founded in substantial evidence.

In its direct testimony, AIC proposed to set its electric savings goals at around the maximum achievable potential for the average of the four-years that comprise the 2018 Plan. However, the Company modified its goals in response to Staff's recommendation to increase the savings goals by shifting funds away from, among other things, the Income Qualified (“IQ”) Program and the R&D budget. AIC states that in an effort to reach a compromise, and setting aside whether it would be attainable, the Company proposed, and Staff did not object, to preserve the incentives in the IQ Initiative and the investment in developing a diverse work force, but shift funds away from other R&D. As a result, AIC states, the 2018 Plan sets modified annual savings goals for each plan year that exceed what the evidence shows to be the MAP. The Company asserts that these goals are, to say the least, aggressive. Ameren Illinois dismisses any insinuation that AIC proposes to somehow shirk the PUA's requirements as misplaced criticism; it maintains that the record evidence establishes just the opposite.

In its Reply Brief, the Company dismiss the AG's and NRDC-CUB-EDF's proposed changes to the 2018 Plan, saying they offer little more than their disagreement with AIC's reasonable assumptions and their own opinion as to what assumptions “should” be used, without any analysis of the “ripple” effect on the overall Plan.

d. Modified Electric Savings Goals

AIC asserts that the compromise between AIC and Staff have given the Commission a reasonable path towards approving aggressive, potentially unattainable, electric savings goals. Accordingly, AIC respectfully requests that the Commission approve the following modified savings goals:

2018 Plan Modified Cumulative Persisting Annual Savings Goals (MWhs)*

Calculations for Modified	2017	2018	2019	2020	2021
Annual Goal					
Applicable Annual Incremental Goal		107,393	194,835	100,714	165,606
Expired Persisting Annual Savings		(223,679)	(167,759)	(195,719)	(139,799)
Expired Annual Portfolio Savings		-	(6,976)	(9,727)	(40,963)
Voltage Optimization Annual Savings		-	47,532	-	44,736
Total Annual Portfolio Goal		331,071	322,038	306,161	301,632

Modified Cumulative Persisting Annual Goals	2017	2018	2019	2020	2021
Portfolio CPAS		331,072	653,110	959,270	1,260,903
Deemed CPAS From Statute	1,845,349	1,621,670	1,453,911	1,258,193	1,118,393
Voltage Optimization Cumulative Persisting Annual Savings		-	47,532	47,532	92,267
Modified CPAS Goal		1,952,742	2,154,553	2,264,994	2,471,563
Modified CPAS Goal %		6.98%	7.71%	8.10%	8.84%

* Table taken from Ameren Exhibit 9.0 (Rev.) (Cottrell Reb.) at 47.

In its Reply Brief, the Company reiterated that Dr. Brightwell had indicated he would not object to AIC's modified savings goals.

2. Staff's Position

Staff observes that AIC's position is that its savings goals need to be modified under the provisions of Section 8-103B(m)(1). Staff asserts that the paramount issue in this proceeding is the level of achievable electric savings. Staff notes that Section 8-103B(b-15) establishes with specificity the levels of CPAS that AIC is required to achieve in each year. Staff notes that the required level of CPAS savings increases by 0.8% each year with 9.8% being required in 2021. Staff states that Section 8-103B(m)(1) requires the Commission to "reduce the amount of energy efficiency measures implemented for any single year...by an amount necessary to limit the estimated average net increase due to the cost of the measures to no more than 3.5% for each of the 4 years beginning January 1, 2018."

Staff states that among the concerns with approving modified goals is that AIC has chosen to recover the costs of its electric energy efficiency programs through a formula rate, Rider EE, as allowed under Section 8-103B(d)(2). Staff explains that pursuant to the provisions of Section 8-103B(g)(8), the formula rate will reward the Company by providing an increased return for any level of savings that are above 100% of the Commission-approved levels of CPAS and will reduce the rate of return if savings are below 84.4% of the approved level of savings. Dr. Brightwell testifies that the statutory formula creates an incentive to request a downwardly modified goal. He explains that

any savings that are higher than 100% of the lower, modified goal and less than 125% of the higher, unmodified goal results in a higher basis point adder than would be determined than with an unmodified goal. Likewise, he says, a modified goal lowers the savings level at which basis points begin to reduce a utility's return.

Dr. Brightwell explains that if AIC fails to meet 84.4% of its modified goal, it loses 8 basis points per percentage point below 84.4% of its goal with a maximum possible reduction of 200 basis points. He states that if AIC exceeds 100% of its modified goal, it receives an increased return that with a maximum return of 200 basis points¹ between 100% of its modified goal and 125% of its unmodified goal.

Dr. Brightwell poses a hypothetical, supposing that AIC has an unmodified savings goal of 100 units to achieve, and a goal modified to be 75 units is approved. The value that is 125% of 100 is 125. He says that with a modified goal of 75 units, AIC would receive its base level of return for all savings between 63.3 units (84.4% of its modified goal) and 75 (100% of its goal) units. He explains that if AIC achieves less than 63.3 units, it would lose 8 basis points for each percentage point below 63.3 units of savings it achieved. Dr. Brightwell states that if AIC achieves more than 75 units, then it receives an increased return. He states that since 125 is 66% larger than the modified goal of 75, the 200 basis points is spread evenly between 66 percentage points. For each percent that AIC achieves above 75 units, Dr. Brightwell calculates it would earn an increased return of 3 basis points. As an example, he states that if AIC were to achieve 101% of its modified goal (or 75.75 units of savings) it would increase its return by 3 basis points.

Dr. Brightwell testifies that the results are similar for the downside risk. He indicates that if the goal were reduced from 100 to 99, the level of savings at which the Company's rate of return would decrease, would be lower. He states that 84.4% of 99 is 83.56 units. Thus, he asserts, with a modified goal of 99 units, the Company is not penalized unless it achieves less than 83.56 units of savings in comparison to 84.4 units of savings with an unmodified goal. He explains that with an unmodified goal the Company would lose 8 basis points for achieving 83.56 units of saving. With a modified goal, the Company is still earning a base level of return.

Staff states that Dr. Brightwell's hypothetical demonstrates that for any level of savings, AIC would be no worse off with a modified goal and in many situations would be better off as the same level of overall savings yields a higher rate of return.

3. NRDC-CUB-EDF's Position

NRDC-CUB-EDF object to AIC's proposal to modify its 8-103B(a-5) savings goals. They assert that Ameren Illinois fails to meet its burden to demonstrate that lower targets are necessary. They reject the Company's assertion that it cannot meet the statutory savings goal while staying within the limits of the statutory spending cap. NRDC-CUB-EDF assert that the Company has not even attempted to design a plan that attains the maximum amount of savings possible within the cap. They reason that AIC cannot prove it is unable to achieve the savings goals within the spending cap without at least trying to do so.

¹ A basis point is equal to one-hundredth of a percentage point.

NRDC-CUB-EDF challenge AIC's reliance on the Study to support its argument that the statutory spending goals are impossible for the Company to meet. They maintain that while such a study, when paired with recent actual savings results, could be used as evidence to support a goal reduction under a Section 8-103B(f)(1), PA 99-0906 does not recognize such a study standing alone as evidence to support a reduction under Section 8-103B(m), which they believe is the statutory basis for AIC's request. They argue, moreover, that the Study is outdated, inherently conservative, and not reliable for drawing conclusions regarding the upper bound on AIC's Plan savings.

NRDC-CUB-EDF reject AIC's arguments that it cannot achieve the savings goals within the spending cap while still accomplishing other objectives that the Company wishes to accomplish with its Plan. They maintain that the statute does not allow AIC to reduce statutory savings goals in order to accomplish these objectives. They assert the identified objectives are discretionary and not required by the statute.

NRDC-CUB-EDF maintain that the Ameren Illinois Plan, as originally proposed and as modified on rebuttal, does not meet the statutory savings goals in large part because it is excessively expensive measured by the cost per unit of savings achieved. They support this conclusion by comparisons to AIC's most recent actual experience delivering efficiency programs; to ComEd's current Plan that is pending before the Commission; and to the relevant data in a benchmarking study offered by AIC in rebuttal.

NRDC-CUB-EDF assert that witnesses for Staff, the AG, and NRDC-CUB-EDF have all identified numerous ways in which the Company could modify its plan to increase projected energy savings while remaining within the spending cap. They assert that examples put forward by these witnesses demonstrate that AIC has not proposed all of the savings it could achieve within the spending cap. Therefore, they assert, the Company fails its burden to justify reducing its savings goals and its request to reduce the statutory savings goals should be rejected.

NRDC-CUB-EDF caution that given the financial incentives set forth in the Section 5/8-103B(g)(8)), the Commission must be particularly cautious of "lowering the bar" for AIC in a manner which could trigger easily-attained bonuses for the Company's shareholders. They assert that AIC's proposed reductions to its savings goals are, at best, unjustified. At worst, they suggest, AIC's proposed reductions are a calculated prioritization of shareholder returns over the economic, environmental, and health benefits promised to their customers through energy efficiency.

a. Statutory Basis

NRDC-CUB-EDF assert that AIC's request for reduced energy savings goals should be rejected. NRDC-CUB-EDF explain that the statute lists two bases under which the energy savings goals may be reduced. First, they state, "the goals may be reduced if the utility's expenditures are limited pursuant to subsection (m)..." Section 8-103B(g)(7.5). They recite Subsection (m): "the Commission shall reduce the amount of energy efficiency measures implemented for any single year...by an amount necessary to limit the estimated average net increase [in residential rates] due to the cost of the measures to no more than" 3.5% for 2018-2021, 3.75% for 2022-2025, and 4% for 2026-2030. NRDC-CUB-EDF assert that these are the statutory spending caps.

They say that Section 8-103B(f)(1) provides the second basis for reducing the savings goals: if both of the following two items are satisfied:

(A) the plan's analysis and forecasts of the utility's ability to acquire energy savings demonstrate that achievement of such goals is not cost effective; and (B) the amount of energy savings achieved by the utility as determined by the independent evaluator for the most recent year for which savings have been evaluated preceding the plan filing was less than the average annual amount of savings required to achieve the goals for the applicable 4-year plan period.

Section 8-103B(f)(1) of the PUA.

NRDC-CUB-EDF state that while AIC did not directly identify the provision under which it relied to justify lowering its savings targets below the Section 8-103B(b-15) requirement, the record in this case strongly suggests that the Company is relying on the first justification in Section 103B(f), i.e., the statutory budget caps in subsection (m), for doing so. They observe that the 2018 Plan states that "The electric savings goal is calculated pursuant to Sections 8-103B (f), (g) and (m)." AIC 1.1, Section 3.4, p 14 (emphasis added). They note that the Plan also references the budget caps: "Ameren Illinois is proposing modification to the cumulative persisting annual savings goals due to the budgetary limitations set forth in the Act." Id. (emphasis added). NRDC-CUB-EDF state that AIC did not provide evidence regarding the comparison of actual savings from the most recent evaluated plan year to the statutory savings goals, which would be required under item (B) of the second basis for reducing savings goals in Section 8-103B(f).

NRDC-CUB-EDF find it noteworthy that AIC's testimony and exhibits frequently use the terms "modified savings goals" and "unmodified savings goals." They observe that those terms do not appear in the statute. They state that while Section 8-103B makes reference to an energy efficiency plan setting forth standards that have been "modified," the operative sections simply list "savings goals" and then outline specific, limited circumstances in which those savings goals may be "reduced." See Sections 803B(f)(1) ("the goals may be reduced...") and 803B(m) ("the Commission shall reduce..."). Therefore, NRDC-CUB-EDF discuss these issues in terms of "statutory savings goals" and AIC's request to "reduce" them – rather than using terms that do not appear in the statute.

In addition to the savings goals and the listed circumstances under which those goals may be reduced, NRDC-CUB-EDF state, Section 8-103B contains other requirements and authorizations germane to this case:

- AIC must spend at least \$8.35 million on Low Income programs. Section 8-103B(c).
- AIC may – but is not required to – spend up to 6% of its energy efficiency program revenue for R&D, and piloting new equipment and measures. Section 8-103B(h).

- AIC must spend a minimum of 7% of portfolio funding on public sector measures (local government, schools and colleges, and public housing). Section 8-103B(c).
- There are statutory requirements to demonstrate that the Plan meets the savings goals; to implement new building and appliance standards; to demonstrate that the portfolio (excluding low-income programs) is cost-effective and represents a diverse cross-section of opportunities for customers of all rate classes to participate; to provide for third-party implementation; to include demand response measures; and to provide for evaluation at a cost not to exceed 3% of portfolio resources. Section 8-103B(g).

In their Reply Brief, in response to AIC's assertion that by allocating the maximum budgets allowed by law the Company triggered the Commission's authority to modify the incremental savings goals, NRDC-CUB-EDF assert that spending the maximum budget without attempting to capture maximum savings does not meet the statutory requirements for reducing savings targets due to the spending cap.

b. Burden of Proof

NRDC-CUB-EDF assert that the burden of proof in this proceeding is on AIC. They state Section 8-103B requires that AIC's Plan must "meet the energy efficiency standards for the next applicable multi-year period..." Section 8-103B(f). They state Section 8-103B provides two circumstances under which the goals may be reduced, and requires that the Commission shall review any proposed goal reduction as part of its review and approval of the Plan. Section 8-103B(f)(1)(a). NRDC-CUB-EDF assert that the mandatory language of the statute, that the utility "shall file a plan with the Commission to meet the energy efficiency standards," demonstrates that the burden of proof lies squarely with the Company.

NRDC-CUB-EDF assert that AIC, the petitioner in this case, is subject to the common-law rule (uniformly imposed on administrative agencies in Illinois) that the party seeking relief has the burden of proof. Scott v. Dept. of Commerce and Community Affairs, 84 Ill. 2d 42, 53 (1981). They state that a burden of proof is two-fold in nature – the burden of persuasion and the burden of producing evidence. Board of Trade v. Dow Jones & Co., Inc., 108 Ill. App. 3d 681, 686 (1982). NRDC-CUB-EDF recount that the Commission has applied this two prong test, noting that the burden of producing evidence can shift between parties, but the burden of persuading the tribunal that the necessary elements of a claim have been proven is assigned at the beginning of a dispute and does not shift during the course of the proceeding. Docket No. 99-0429, Order at 12-13 (June 14, 2001), citing Board of Trade at 686. NRDC-CUB-EDF maintain that AIC has met neither its burden of producing evidence nor its burden of persuasion.

In its Reply Brief, NRDC-CUB-EDF protest that Company's statements attempt to shift the burden to intervenors to prove that Plan should not be approved. NRDC-CUB-EDF assert that the intervenors bear no such burden.

c. Savings Goals

NRDC-CUB-EDF state Section 8-103B(b) defines CPAS as “the total electric energy savings in a given year from measures installed in that year or in previous years, but no earlier than January 1, 2012, that are still operational and providing savings in that year because the measures have not yet reached the end of their useful lives.” NRDC-CUB-EDF state that by comparing the new CPAS required to reach the statutory goal and AIC’s proposed reduced goal in 2021, it calculates that the Company proposes to reduce the amount of new savings it must acquire over the 2018-2021 period to meet its 2021 CPAS goal by 27%. They note that AIC’s CPAS goals under 8-103B are already lower than ComEd’s, comparing Sections 8-103B(b)(5) (ComEd) and 8-103B(b-15) (AIC). They provide the following table to compare of the statutory CPAS and annual first-year savings goals with AIC’s proposed reductions (with all values in MWhs):

Year	2018	2019	2020	2021
CPAS – statutory goal ²	2,069,028	2,292,707	2,516,385	2,740,064
CPAS – Ameren proposed goal ³	1,924,994	2,092,081	2,165,047	2,302,905
Annual 1 st year savings – statutory goal ⁴	447,357	343,906	419,398	366,273
Annual 1 st year savings – proposed goal ⁵	303,323	294,290	278,412	273,884

In its Reply Brief, NRDC-CUB-EDF dispute AIC's assertions that all parties support reducing the statutory energy goals. NRDC-CUB-EDF state that AIC is apparently referencing its gas savings goals. NRDC-CUB-EDF clarify that given the time constraints, it took no position on gas savings.

d. Maximizing Savings

NRDC-CUB-EDF assert that AIC did not produce reliable evidence that it was unable to meet the statutory savings targets within the spending cap. They note Ms. Rohmund's testimony that the Company has not attempted to estimate how much it would need to spend in order to meet the savings goals. Mr. Neme asserts that the Company did not analyze how to optimize its portfolio to maximize savings within the constraints established by statute, such as the spending cap and the minimum spending requirements for low income and public sector programs. NRDC-CUB-EDF state that on cross examination, Mr. K. Martin insisted that the Company determined the maximum savings it could have achieved within the caps and that was what the AIC presented in its Plan. But NRDC-CUB-EDF argue that this answer is contradicted by Mr. K. Martin's

² The source for these values is Neme, NRDC/CUB/EDF 1.0 (Rev.) at 15:9.

³ The source for these values is Neme, NRDC/CUB/EDF 1.0 (Rev.) at 15:9.

⁴ The source for these values is Brightwell direct, p 14 lines 269-271.

⁵ The source for these values is Keith Martin, AIC 1.0 (Rev.) at 15:308.

rebuttal testimony, responding to Staff recommendations by identifying additional savings the Company could achieve. NRDC-CUB-EDF maintain that even the rebuttal proposal retains significant spending on discretionary budget items that produce no savings, retains spending on expensive measures, spends far more than is required on expensive programs, and does nothing to lower excessively high costs of savings in many of AIC's key programs.

NRDC-CUB-EDF reiterate that AIC has the burden of proof in this proceeding. They conclude that the Company did not produce reliable evidence demonstrating that it was unable to meet the statutory savings targets within the spending cap.

In its Reply Brief, NRDC-CUB-EDF assert that their proposed changes to the Plan would not deny measures to customers who need access to energy efficiency the most. NRDC-CUB-EDF assert its proposed alternatives to help AIC meet its statutory requirements. NRDC-CUB-EDF respond to AIC's assertions that the Plan includes unprecedented planning assumptions and that it has never achieved such rates before. NRDC-CUB-EDF concede that may be true, but state that AIC has also never had: this large of a budget before; the ability to integrate delivery management of all efficiency programs; the ability to count some gas savings towards their electric savings targets; or the ability to include voltage optimization in its savings. NRDC-CUB-EDF conclude, a new statute comes with changes and challenges.

e. Other Objectives

NRDC-CUB-EDF assert that the Company's position, that it may prioritize discretionary objectives over mandatory savings goals, should be rejected. They explain that AIC's core argument is that it cannot meet the statutory savings goals, comply with the statutory spending cap, and also accomplish a set of "additional objectives" that the Company has set for its energy efficiency program. NRDC-CUB-EDF argue that even if AIC's claims were correct, the proper recourse would be to scale back resources allocated to meeting discretionary objectives, and allocate those resources instead to meeting savings goals that are expressly set forth in the statute. NRDC-CUB-EDF maintain that the Company has it backwards; the savings goals are mandatory and should be prioritized.

NRDC-CUB-EDF note Mr. K. Martin's testimony that some of AIC's Plan objectives are required by Section 4.1 of the EE Policy Manual, and listing, among others, the goals of achieving statutory objectives and Commission-approved savings goals; providing a cross-section of opportunities to participate; and evaluating programs using consistent criteria. They note his testimony that the Company also considered "additional objectives," when designing the portfolio of programs included in the 2018 Plan. NRDC-CUB-EDF state he listed additional objectives including: innovative low income and public sector programs; increasing efforts to use diverse suppliers; and providing flexibility to manage risks and uncertainties. NRDC-CUB-EDF agree that these additional goals are laudable, but they caution, the additional goals are not required under Section 8-103B or the EE Policy Manual. They assert that Mr. K. Martin was unable to explain how meeting these additional, discretionary objectives justified reducing the statutory savings goals or where Section 8-103B allows the Company to reduce its savings goals in order to provide jobs; provide community investment; or engage and develop diverse enterprises. NRDC-

CUB-EDF assert that the additional objectives do not meet any statutory requirement and do not justify reducing AIC's savings targets. Mr. Neme points out that AIC does not rank these objectives in terms of their importance, or explain how it valued trade-offs between these objectives.

Mr. Neme criticizes AIC's claim that the Company could not meet the statutory savings goals within the spending caps; while simultaneously proposing to spend more than required on programs with minimal or no savings. For example, Mr. Neme notes that AIC budgeted almost \$6 million per year for R&D activities with no associated energy savings. NRDC-CUB-EDF emphasize that although Section 8-103B(h) allows AIC to spend a portion of its electric budget on R&D, it does not require the Company to spend anything on it. Mr. Neme testifies that "In the context of a plan in which AIC is asking for its goals to be reduced below the statutory levels, R&D should be considered a luxury that cannot be afforded." NRDC-CUB-EDF 1.0 (Rev.) at 40:651-657. He makes similar observations regarding measures that provide relatively low amounts of energy savings at high costs per unit of energy saved.

NRDC-CUB-EDF assert that the text of Section 8-103B(m) does not allow savings goals to be reduced in order to accomplish discretionary objectives. They quote Section 8-103(m): "the Commission shall reduce the amount of energy efficiency measures implemented for any single year...by an amount necessary" to comply with the spending cap." NRDC-CUB-EDF reason that the use of the word "necessary" – meaning "absolutely needed" or "required" – negates any interpretation that would allow the attainment of savings goals to be subordinated to the attainment of discretionary objectives.

NRDC-CUB-EDF conclude that neither the record nor Section 8-103B supports AIC's position that it may spend more money than required on programs and activities with relatively low or no savings in order to meet discretionary objectives – instead of spending that money in ways that will maximize savings. They maintain that this argument should be rejected.

f. Cost of Savings

NRDC-CUB-EDF assert that AIC's Plan has an unreasonably expensive "yield" – or overall cost per kWh of savings produced. They emphasize that if AIC could bring its Plan yield closer to that of its prior plan or to that of ComEd's current plan, AIC could meet its statutory savings goals without sacrificing other secondary objectives.

NRDC-CUB-EDF explain that the projected yield for AIC's Plan is \$0.32 per kWh saved for 2018. They contrast that yield with AIC's actual yields for the most recent data available, 2016 or Plan Year eight ("PY8"), which were \$0.21 per kWh for the residential portfolio and \$0.13 per kWh for the business portfolio. Mr. Neme testifies that the yield for ComEd's pending environmental efficiency plan is \$0.224 to \$0.25 per kWh, depending on how the calculation is performed. NRDC-CUB-EDF calculate that the yield for AIC's proposed Plan is around 40% more expensive than the yield for ComEd's plan. NRDC-CUB-EDF conclude that cost of savings in AIC's Plan is excessively expensive compared both AIC's PY8 costs and the costs projected in ComEd's plan.

NRDC-CUB-EDF discount the Company's argument that differences between Northern and Southern Illinois make it more difficult for AIC, as compared to ComEd, to meet energy savings goals. They note Ms. Rohmund's testimony that the differences included that AIC customers are more spread out; reside in multiple media markets; have less discretionary funding for efficiency; and have lower education levels.

Mr. Neme challenges this assertion, stating that Ms. Rohmund offered no quantification or data to support it. Mr. Neme maintains that there are reasons to question whether some of her cited factors (multiple media markets, for example) make it more difficult to achieve savings goals. He asserts that there are other differences between the two utilities' service territories, which AIC ignored, that make it comparably less expensive for AIC to acquire savings, providing the examples of lower labor costs, less aggressive statutory savings goals, and the advantage of being a dual fuel utility. NRDC-CUB-EDF assert that AIC's unsupported pronouncements did not prove anything about the comparative expense of meeting savings goals.

NRDC-CUB-EDF assert that AIC's benchmarking study is unreliable. They dispute the Company's conclusion that it demonstrated that the Plan's savings yield is consistent with a "national average." NRDC-CUB-EDF argue, to the contrary, that the benchmarking confirmed that AIC Plan's yield is excessive when compared to similar Midwest utilities.

NRDC-CUB-EDF note Mr. Cottrell's testimony that he "analyzed the electric yields for a cross-section of utilities across the country and found the national average for the cost per kWh saved is \$0.33." AIC 9.0 (Rev.) at 11. They challenge Mr. Cottrell's methodology and dispute his conclusion that his national comparison provides a more realistic comparison with AIC's yield of \$0.32 per kWh than comparing it to a single, very large, electric-only utility, i.e., ComEd. NRDC-CUB-EDF argue that there are several reasons why Mr. Cottrell's benchmarking study should not be relied on to justify the high cost of AIC's Plan.

NRDC-CUB-EDF assert that Mr. Cottrell failed to exclude obvious outliers and other utilities with vastly different environmental efficiency programs than AIC's. They state that an example, is the inclusion of Tampa Electric, a very small program with 36,800 MWhs of projected 2018 savings, about 1/9 the size of AIC's Plan, and an extremely high yield of \$1.60 per kWh saved. NRDC-CUB-EDF explain that because Mr. Cottrell's proffered yield was an unweighted average for the utilities in the 24 states he sampled, without any consideration of size or geography, the yield for Tampa Electric weighed the same in the results as the yields for Ohio electric utilities with similarly-sized programs and geography as Ameren Illinois. NRDC-CUB-EDF questioned whether Tampa Electric was meant to be excluded from the data set, but found that Mr. Cottrell could not answer with any clarity.

NRDC-CUB-EDF state that another example of the failure to exclude outliers was represented by the inclusion of five Massachusetts utilities whose yields ranged between \$0.47 and \$0.81 per kWh saved: MA State, National Grid, Unitil, Eversource and Cape Light Compact. NRDC-CUB-EDF note Ms. Rohmund testifies that Massachusetts is not a useful reference point or comparison with potential studies in general and Ameren Illinois in particular, because Massachusetts has no spending cap and high retail price.

They say, it was included in Mr. Cottrell's benchmarking study and assigned the same weight as Midwestern utilities with similar characteristics to Ameren Illinois.

NRDC-CUB-EDF also criticize the benchmarking study for apparently failing to obtain all of the data intended. During cross-examination Mr. Cottrell agreed that his workpaper included data tabs for what he considered to be the Midwest states: Indiana, Ohio, Michigan, Wisconsin, Kentucky, Iowa, and Minnesota. NRDC-CUB-EDF note that Mr. Cottrell did not know why the tabs for Michigan and Wisconsin were empty and acknowledged that there may have been an intent to get data on Michigan and Wisconsin utilities, but his firm was unable to come up with it, leaving empty placeholders.

NRDC-CUB-EDF assert that the exclusion of ComEd from the benchmarking study was unjustified. They note that ComEd was not on the list of utilities in the Portfolio Level sheet, even though data for ComEd was available. NRDC-CUB-EDF maintain that although AIC argued elsewhere that it should not be compared one-on-one to ComEd due to differences in the service territories, that argument does not also apply to a study that Mr. Cottrell testifies takes "into account a range of utilities and energy efficiency plans with varied budgets, savings goals, service territory size." Ameren Ex. 9.0 (Rev.) at 11. They reason that after all, AIC and ComEd are located in the same state and subject to the same environmental efficiency statute.

NRDC-CUB-EDF assert that Mr. Cottrell's explanation that he excluded ComEd because all other utilities in his dataset had environmental efficiency plans for 2018 that had been approved by their respective regulatory commissions is demonstrably incorrect. They state that the study includes data for Ohio Edison Company, Cleveland Electric Illuminating Company, and Toledo Edison Company and assert that the Public Utilities Commission of Ohio has not approved these utilities' plans as of the date of their Brief. NRDC-CUB-EDF assert that the same is true for Duke Energy Ohio.

NRDC-CUB-EDF maintain that the benchmarking study disregarded meaningful data that was available from the utilities surveyed. They state that Mr. Cottrell's workpaper indicates that the median yield of all included utilities was \$0.26 per kWh saved, which is closer to ComEd's value of \$0.224 cents per kWh saved. NRDC-CUB-EDF assert that, due to the failure to exclude outliers and the incomplete data set, in this instance, median yield is a more representative benchmark than average yield.

NRDC-CUB-EDF argue that another example of meaningful data disregarded in the benchmarking study is the average yield for the Midwest utilities, which Mr. Cottrell acknowledged bore some similarity to each other and to AIC. They indicate that the following table compiles yields from the "Portfolio Level" sheet of Mr. Cottrell's workpaper 1, identified as NRDC-CUB-EDF Cross Exhibit 3, for the utilities in Midwest states for which Mr. Cottrell collected data:

State	Utility	Yield (\$/kWh)
OH	DP&L	0.16
OH	Ohio Edison	0.13

OH	Cleveland Electric Illuminating	0.13
OH	Toledo Edison	0.13
IN	Indiana MI Power	0.14
IA	MidAmerican	0.39
IA	IPL	0.39
MN	Minnesota Power	0.21
MN	Otter Tail Power Company	0.18
MN	Xcel Minnesota	0.23
OH	AEP Ohio	0.16
MO	Ameren MO	0.31
OH	Duke Energy	0.15
KY	LG&E / KU	0.23

NRDC-CUB-EDF calculate the average to be \$0.213 per kWh. They say this average yield for the Midwest utilities is almost identical to the yield for ComEd, \$0.224 per kWh, and much lower than AIC's projected yield of \$0.32 per kWh.

NRDC-CUB-EDF summarize: when preparing the comparison of AIC's yield to its "national average," the benchmarking study excluded ComEd and obtained no data from Michigan or Wisconsin; but used data from Tampa Electric and from five Massachusetts utilities that another Company witness testifies should not be compared to AIC. NRDC-CUB-EDF conclude that the study has glaring flaws, lacks evidentiary weight, and that its conclusions should be disregarded.

g. Reliance on the Study

NRDC-CUB-EDF challenge AIC's reliance on the Study, as support for its assertion that it cannot meet the statutory savings goals. NRDC-CUB-EDF describe the Study as consisting of surveys of AIC customers from different groups whose results were analyzed to determine certain categories of energy efficiency potential, including economic, MAP, and RAP. NRDC-CUB-EDF assert that AIC's conclusion from the Study, that it is unrealistic and unlikely for the Company to achieve the statutory savings goals, should be rejected. NRDC-CUB-EDF present three reasons: (1) a potential study is not a statutorily-recognized justification for reducing savings under Section 8-103B(m); (2) Ms. Rohmund conceded that significantly more savings are achievable when stale assumptions used in the study are updated to current values; and (3) empirical data suggests that potential studies produce inherently conservative estimates of what is actually possible.

In their Reply Brief, NRDC-CUB-EDF take issue with AIC's assertion that no other witness or party has provided any alternative planning assumptions supported by market data or actual experience implementing programs in AIC's service territory that are transferrable or applicable to the 2018 Plan. NRDC-CUB-EDF assert that Mr. Neme provided six specific proposals and nine additional savings opportunities, based on comparisons with AIC's past performance and ComEd.

NRDC-CUB-EDF also challenge AIC's assertion that Ms. Rohmund provided a market based analysis. NRDC-CUB-EDF note that her underlying assumptions were based on customer responses regarding what efficiency investments they would make, theoretically calibrated to AIC's actual historic program experience. However, NRDC-CUB-EDF assert that a significant number of non-market assumptions were incorporated into the approach, calling into question both AIC's "market-based" claim and ultimately the validity and reliability of the study results. NRDC-CUB-EDF complain that the Study's adjustment factors do not factor in the amount of rebate offered.

NRDC-CUB-EDF reiterate that Section 8-103B provides two bases upon which energy savings goals may be reduced. They state that AIC relies on Sections 8-103B(m) - goals may be reduced if the utility's expenditures are limited by the spending caps. They note AIC does not rely on Section 8-1-3B(f)(1), which provides a two-part test that requires a demonstration that: (A) the plan's analysis and forecasts of the utility's ability to acquire energy savings demonstrate that achievement of such goals is not cost effective; and (B) the amount of evaluated energy savings achieved by the utility in its most recent plan year is less than the average annual amount of savings required for the applicable 4-year plan period.

NRDC-CUB-EDF state that Section 8-103B(f)(1)(A) expressly allows consideration of potential studies, i.e., "analysis and forecasts of the utility's ability to acquire energy savings." NRDC-CUB-EDF contrast this provision with the remainder of (f)(1) and Section 8-103B(m), referenced therein, which make no mention of potential studies. NRDC-CUB-EDF reason that because the statute expressly allows consideration of potential studies under one provision, but does not mention potential studies at all under another provision, it is logical to conclude that potential studies may not be used to justify reducing savings under the provision that does not mention them.

NRDC-CUB-EDF maintain that this distinction between the two scenarios for reducing goals is neither academic, nor accidental. They note that the scenario, which recognizes the use of a potential study to reduce goals, also requires that such a study be used in tandem with recent actual results. NRDC-CUB-EDF suggest that otherwise, it would too easy and tempting for a utility to prepare a potential study that projects it cannot meet the statutory savings goals and ask for reductions on that basis alone. NRDC-CUB-EDF conclude that the statute's mention of using potential studies in one provision for reducing goals, but not the other, and the express requirement that such a study be used in tandem with recent actual results; both strongly suggest that a potential study on its own may not be used to reduce savings goals under Subsection (m).

NRDC-CUB-EDF state that the results, compared with the statutory savings goal, presented by Ms. Rohmund in direct testimony were:

Potential Scenario	2018	2019	2020	2021	Average
Total Unmodified Savings Goal	447	351	458	330	396
Realistic Achievable Potential	218	214	202	192	207
Maximum Achievable Potential	321	311	286	270	297
Economic Potential	509	476	424	390	450

NRDC-CUB-EDF assert that updating assumptions used in the Study to current values, results in a higher MAP. NRDC-CUB-EDF state that the Study did not use the same assumptions for certain key values, i.e., avoided costs, discount rates, and line losses, in AIC's 2018 Plan. They observe that when Ms. Rohmund re-ran her model with those key values updated to the Plan values, it increased the resulting MAP, generally be considered to be the upper bound for a utility's planned energy savings, by 25%. NRDC-CUB-EDF state that even after she considered the effect of other, more conservative assumptions, the overall increase in MAP is lessened but still in the range of 15-20%. They say Ms. Rohmund confirmed on cross that this increase can be applied to her original average MAP for the four-year plan period of 297,000 MWhs (297 GWhs). NRDC-CUB-EDF state that doing the math, the updated MAP is 341,550 to 356,400 MWhs (342 to 356 GWhs) of average annual savings.

NRDC-CUB-EDF state that the increase in savings potential from updating study assumptions is separate from, and in addition to, AIC's agreement in rebuttal to convert natural gas savings to electric savings, adding 12,922 MWhs of additional electric savings. NRDC-CUB-EDF calculate that adding the increased savings from the update with the additional savings converted from natural gas increases Ms. Rohmund's estimate of MAP to as much as 370,000 MWhs per year (excluding voltage optimization). NRDC-CUB-EDF add that there are reasons to conclude that Ms. Rohmund's opinion of AIC's MAP is too low.

NRDC-CUB-EDF assert that potential studies, even good ones, are not very useful for the purpose of informing how much savings can be achieved because they are inherently very conservative. Mr. Neme testifies that potential studies can, if done well, provide useful insight into the relative importance and cost-effectiveness of different measures and programs. However, he opines that they do not have much relevance as a reference for informing decisions on the appropriateness of savings targets.

Mr. Neme asserts that his experience working on and reviewing potential studies has reinforced his conclusion that potential studies are inherently conservative and often underestimate what is achievable. He states this conclusion is supported by empirical evidence of the degree to which jurisdictions that have tried to maximize cost-effective savings have significantly exceeded potential study estimates of what was theoretically achievable. Mr. Neme testifies that there are a variety of underlying reasons for their conservatism. Among the examples, he lists: focus on measures that are known and documentable; failure to capture savings from truly custom or unique measures; failure to fully account for increasing savings (as some technologies evolve) or decreasing cost; inability to anticipate and forecast the effects of development within the efficiency industry of new and more effective ways to approach efficiency markets.

NRDC-CUB-EDF assert that the Company misses the key point when it argues that the assessment that potential studies are inherently conservative is unreliable because their policies in favor of energy efficiency and their high retail electric rates, make Massachusetts and Rhode Island exceptional. NRDC-CUB-EDF assert that Mr. Neme is not suggesting that Massachusetts and Rhode Island were models that AIC should follow in setting its savings goals. They acknowledge that Illinois has spending caps and these other two states do not. NRDC-CUB-EDF state that the point about Massachusetts and Rhode Island is that, because they have no spending caps, they show how potential

studies underestimate the amount of savings that are actually achievable. NRDC-CUB-EDF explain that spending caps do not allow estimates of MAP in potential studies to be tested against actual savings, because actual savings in those states are limited by the spending caps – not by their market potential.

NRDC-CUB-EDF say that for the same reasons, Ms. Rohmund's review of potential studies and actual results in various other states is also beside the point. They explain that she discussed a review of achievable potential estimates for 28 utilities compared to with actual program achievements by those utilities and concluded that 6 of the 28 utilities exceeded their market potential or RAP. However, NRDC-CUB-EDF complain, Ms. Rohmund offered no information in her testimony regarding the subject utilities; the states they were located in; the presence or absence of spending caps; or really any useful information about them at all. They reiterate that, for the same reasons, in states with spending caps actual savings results are constrained by the caps – not by the market potential for efficiency in those jurisdictions. Therefore, they assert, comparing potential study estimates with savings results with no other information provides no insight on the question of whether potential studies are overly conservative in estimating true achievable savings.

In their Reply Brief, NRDC-CUB-EDF assert that AIC overstates the weight the Commission has given to potential studies in prior dockets. NRDC-CUB-EDF states that the Commission discussion in Docket No. 13-0498 discusses an arcane methodological issue regarding potential studies, but says nothing about relying on the study. NRDC-CUB-EDF challenge AIC's assertions about the difficulties of achieving savings in excess of either RAP or MAP. They note that AIC's current proposal is 6% higher than MAP, despite the fact that it has a statutory budget cap and proposes to spend millions of dollars of its budget on initiatives that save little or no energy.

4. AG's Position

a. Statutory Requirements

The AG states that Section 8-103B of PA 99-0906 sets new annual energy savings requirements for AIC and ComEd, specific to each utility's service territory and tied to the delivery of energy efficiency programs. The AG explains that among many changes, Section 8-103B sets CPAS goals, which by measuring cumulative savings, alter the focus of electric utilities from implementing shorter term measures with a high annual savings yield to longer lasting measures. The AG emphasizes the importance of the new provisions which permit the State's two largest electric utilities to earn a return through amortization of energy efficiency program expense, and additional shareholder profits through an energy efficiency formula rate incentive mechanism that rewards achievement of energy savings that exceed the Commission-approved energy savings targets.

The AG states Section 8-103B(f) requires Ameren Illinois to file a four-year energy efficiency plan, commencing on January 1, 2018, designed to achieve specific CPAS goals through implementation of energy efficiency measures for all eligible customers in its service territory. It enumerates the goals:

- (1) 7.4% CPAS for the year ending December 31, 2018;
- (2) 8.2% CPAS for the year ending December 31, 2019;

(3) 9.0% CPAS for the year ending December 31, 2020;

(4) 9.8% CPAS for the year ending December 31, 2021;

The AG states that the annual CPAS goals continue rising incrementally, culminating in a 16% CPAS goal for the year ending December 31, 2030. It notes that ComEd, too, must file a four-year plan, but has significantly higher annual savings goals, that culminate in a 21.5% CPAS for the year ending December 31, 2030.

The AG emphasizes that Section 8-103B(b-10) specifies deemed values, reduced each year, for CPAS from energy efficiency measures and programs implemented during the period beginning January 1, 2012 and ending December 31, 2017. It states these values are incorporated within the CPAS savings goals. Thus, it explains, the applicable annual incremental goal is not equal to the amount of new savings the utility must produce each year.

The AG asserts that AIC has the burden of proving that the Plan meets these statutory energy savings goals and other policy-related requirements provided in subsections (c),(f),(g),(h) and (i) of Section 8-103B. The AG asserts that AIC has not met its burden to justify its request for approval to modify the CPAS goals. The AG states that AIC's argument that it cannot meet the statutory CPAS goals and stay within the Section 8-103B(m) budget cap is based on an over-estimation of the cost it will incur per kWh saved. The AG states that when AIC's proposed cost/kWh is compared with ComEd's forecasted cost/kWh delivered; AIC's most recent forecast of its cost/kWh delivered; AIC's evaluated performance two years ago; or the average cost/kWh of energy efficiency programs of utilities around the country, AIC's proposed cost/kWh is significantly and unreasonably excessive.

The AG asserts that the resulting under-estimation of the AIC energy efficiency potential, if approved by the Commission, sets the utility up to earn additional profits on energy efficiency spending, while failing to meet the statutory energy savings targets established for Ameren Illinois under Section 8-103B(b-15).

The AG asserts that Section 8-103B(f)(1) clearly spells out the very limited conditions under which Ameren Illinois may seek reduced or modified savings goals below the annual levels set forth in subpart (b-15). The AG states that the rules of statutory construction provide that the words used in a statute must be given their plain and ordinary meaning. People ex rel. Gibson v. Cannon, 65 Ill.2d 366 (1976). It reasons that Section 8-103B is clear that AIC is required to achieve these goals each year unless it can demonstrate by a preponderance of the evidence that it is unable to do so within a spending cap that limits the estimated average net increase due to the cost of the measures to no more than 3.5% for the each of the four years beginning 2018; or demonstrate: (a) that achievement of such goals is not cost effective; and (b) the amount of energy savings achieved by it, as determined by the independent evaluator for the most recent year for which savings have been evaluated preceding the plan filing, was less than the average annual amount of savings required to achieve the goals for the applicable four-year plan period.

The AG observes that AIC is claiming that it cannot meet the Section 8-103B(b-15) goals within the 3.5% budgetary cost cap provided in Section 8-103B(m). The AG

says that subsection (m) allows the Commission to approve lower modified goals “*to an amount necessary*” (AG’s emphasis) to limit spending to no more than the applicable 3.5% budget cap. The AG maintains that this clear statutory directive requires AIC to develop a portfolio that comes as close as practicable to meeting the unmodified goals, while still ensuring that it meets other statutory policy goals, such as maximizing investments in IQ programs.

The AG asserts that the record evidence shows that the Company has failed at its burden of demonstrating that it cannot achieve the annual savings goals outlined by Section 8-103B, notwithstanding the 3.5% annual cost cap.

b. Reliance on the Study

The AG asserts that AIC’s Study and the Company’s reliance on it as support for the Company’s request to modify its goals should be rejected by the Commission.

The AG challenges AIC’s assertion that the savings goals that the General Assembly established for Ameren Illinois are well above the MAP, after accounting for the 10MW Exempt customers, and that achieving the savings goals through energy efficiency programs is “unrealistic and nearly impossible to achieve.” AIC Ex. 1.0, at 4. The AG asserts that Messrs. Mosenthal’s and Neme’s critiques of Ms. Rohmund’s hypothesis expose the flaws and the unreliability of her conclusions as to what level of efficiency is achievable in the AIC territory.

The AG asserts that potential studies inherently underestimate achievable energy efficiency potential. The AG states Mr. Mosenthal was the primary author of the U.S. Environmental Protection Agency’s National Action Plan for Energy Efficiency (“NAPEE”) Guide for Conducting Energy Efficiency Potential Studies, which Ms. Rohmund cites in her testimony. Mr. Mosenthal states that the dictionary meaning of the words maximum achievable potential imply that MAP should be the upper limit for program savings. But, he says that is only true if it truly reflects the maximum savings that can be achieved. He explains that generally MAP would assume the most aggressive, fully funded programs possible. However, he states, studies sometimes refer to achievable potential while estimating the savings from a less aggressive strategy. He indicates that achievable potential and MAP estimates do not always reflect program strategies that are as aggressive as would be necessary to achieve comprehensive saving. He says the strategies may be hampered by “business-as-usual” program assumptions.

Mr. Mosenthal testifies that evidence of systematic bias is a result in estimates of significantly lower energy efficiency potential for MAP than what certain jurisdictions are actually achieving with current programs. He gives the ComEd plan as an example. He states that for its study⁶, the American Council for an Energy-Efficient Economy (“ACEEE”) performed a meta-analysis of more than 30 recently conducted potential studies from across the United States. Based on his analysis of the study, he concludes there is a virtually universal tendency for potential studies to significantly underestimate actual potential. Mr. Mosenthal explains that there is historical skepticism to energy

⁶ American Council for an Energy-Efficient Economy, Cracking the TEAPOT: Technical, Economic, and Achievable EE Potential Studies, 2014, <http://aceee.org/sites/default/files/publications/researchreports/u1407.pdf>

efficiency, and potential studies often take the “safe” route and present low estimates of potential so as not to appear unreasonable. He states that projections of achievable program participation are often arbitrarily low; the list of savings opportunities considered is virtually never exhaustive; benefits of systems integration are typically ignored; and technological progress is often underestimated.

Mr. Mosenthal does not argue that potential studies are not useful, but he emphasizes that the importance of understanding their application and limitations. He states that potential studies can be useful to understand where opportunities are in terms of market segments, end uses, and measures; strategies for targeting these savings; and cost-effectiveness of different opportunities. Mr. Mosenthal cautions, however, that they are an inherently uncertain tool and should not be considered definitive estimates of the magnitude of all opportunities, despite their use of the term “potential.”

The AG states that here in Illinois, there is evidence to support Mr. Mosenthal’s point. It explains that ComEd’s most recent potential study estimated a MAP equal to an average annual savings potential of 1.5% of load from 2018 through 2025, i.e., throughout the 2018-2021 Plan period. The AG indicates that total program costs for ComEd’s MAP scenario were projected at \$466 million in 2018. However, the AG states, ComEd is proposing to achieve savings of 2.2%, over 50% higher their MAP and with a total budget of \$351 million, for the entire portfolio.

The AG concludes that while potential studies can be useful to understand where opportunities are in terms of market segments, end uses, measures, strategies for targeting these savings, and cost-effectiveness of different opportunities, they are an inherently uncertain tool. The AG maintains the Study cannot form the basis for a request to modify statutory goals.

The AG asserts that there are several flaws within the Company’s Study, which make its MAP conclusions unreliable. Mr. Mosenthal opines that the methodology used to develop program participation rates is flawed; the Study omits potential from some measure categories; and that the Study does not model key assumptions used in AIC’s planning process. The AG criticizes the Study for having a flawed market research methodology; a flawed methodology to adjust actual survey responses; and for its failure to consider other program design changes for MAP rates that could lead to deeper participation.

Mr. Mosenthal criticizes the market research methodology. He states it consisted of quick questions on the phone, which, he says, is not a substitute for having a customized energy audit, site-specific recommendations, and a financial and technical analysis of the customer benefits. He explains that the respondents may not be adequately educated on energy efficiency opportunities and program benefits. Mr. Mosenthal concludes the surveys simply reflect baseline conditions. He testifies that the calibration methodology used to adjust actual survey respondents’ estimates downward based on actual historic participation rates limits assumptions of participation to no more than AIC is currently pursuing with lower budgets and goals, and assumes the past participation in existing programs can never be improved, or were not constrained by budgets. Mr. Mosenthal explains the survey participant-reported likeliness to participate responses were reduced by approximately half.

The AG notes the Study conclusion that 34% of all residential customers and 38% of all commercial and industrial (“C&I”) customers are aware of AIC rebates and incentives and only 22% and 28%, respectively have used them. Mr. Mosenthal states that it is difficult to imagine that sufficient cost-effective potential is in danger of being exhausted when less than 40% of potential participants are even aware that Ameren Illinois offers incentives.

Mr. Mosenthal highlighted other concerns with the AIC Study. The AG states it failed to include any early retirement retrofit measures, i.e., opportunities to replace existing, operating equipment with more efficient equipment. Mr. Mosenthal states these measures typically contribute more than half of the entire achievable potential. The AG criticizes the Study's use of a non-comprehensive measure list for C&I Custom programs, and states the Study failed to recognize that Custom programs are by definition tailored to meet individual customer needs.

Mr. Mosenthal disputes Ms. Rohmund’s argument that differences between Northern Illinois customers and AIC customers reduce the relative opportunity for energy efficiency savings in AIC territory. He explains that energy efficiency potential is relatively consistent as a share of actual load regardless of location. Mr. Mosenthal testifies that a study conducted by Optimal Energy, Inc. in 2013 for the Michigan Public Service Commission to determine whether uniform, statewide savings goals are significantly more difficult for the small cooperative and municipal utilities to achieve than for the larger investor-owned utilities. He presents the analysis and indicates that it showed that neither utility size nor type were primary drivers of performance outcomes.

The AG notes that the AIC Study uses avoided costs that are roughly half as much as the current ones supporting its Plan. Mr. Mosenthal, criticizes the Plan's assumption of a 0% load growth rather than the higher underlying load growth after netting out the efficiency programs, which he says likewise impacts energy savings potential.

Mr. Mosenthal states that an excerpt from AIC’s Plan Year 9 (“PY9”) Implementation Plan, developed by its primary implementation contractor, shows what AIC’s PY9 Plan assumed in terms of measures and participation for each measure, and then what AIC’s contractor team actually decided to pursue for PY9. He testifies that AIC had planned, and the Commission approved, the installation in PY9 of 3,119 residential central air conditioners. However, he states that in the implementation plan AIC’s contractor shifted to a plan that completely eliminated all of these air conditioners. The AG states that while providing program administrators with the flexibility, permitted in the EE Policy Manual, to make midcourse corrections is appropriate. But, it argues, AIC is asking for modified goals with insufficient analysis of alternative scenarios which would allow it to meet the statutory goals, while preserving the right to fundamentally shift to an easier and lower cost/kWh saved plan later. The AG states the Company can also earn a shareholder incentive based on beating the modified goals under Section 8-103B(g)(8).

The AG concludes that for all of the reasons cited above, the Commission should not rely upon AIC's Study to support the Company’s request to modify its goals.

c. Cost of Savings

The AG argues unequivocally that AIC can and should be required to meet its four-year statutory savings goals. The AG notes AIC's assertions that it cannot meet the statutory energy savings goals within the 3.5% budget cap. The AG calculates that AIC's projected average annual shortfall is 88.5 GWh, which, it says, would cumulatively reduce total savings by 27% by the end of the four-year plan period.

The AG asserts that AIC's calculation of the cost/kWh of savings is higher than it needs to be for many programs. The AG explains that AIC's cost/kWh savings is substantially higher than ComEd for similar programs. The AG states AIC's cost/kWh is even higher than what AIC has recently planned for and achieved historically. The AG maintains that simply matching the cost/kWh of either ComEd's 2018-2021 Plan, or AIC's own 2016 Plan or its actual results for Program Year 8 ("PY8"), without any other modifications to its Plan or its budget allocations, would result in savings that far exceed AIC's unmodified goals.

The AG acknowledges that AIC identifies some reasons that forecasted costs/kWh may need to increase somewhat, such as the exemption of 10MW customers, it maintains that using historic yields (cost/kWh saved) so far exceeds the necessary savings goals that there is ample room for AIC to meet goals while still increasing the cost/kWh saved considerably. The AG asserts that AIC has ample opportunities to redirect funds to measures and programs that will improve its overall portfolio yield, i.e., by shifting from non-savings producing, ill-defined investments such as Breakthrough Equipment and Devices ("BED"), reducing expenditures for certain measures; or by shifting efforts at the program level.

The AG states that a critical reason why AIC's proposed annual savings goal do not hit the statutory mark is that the Company's overall portfolio cost is estimated at \$0.32/kWh saved, as compared to ComEd's current Plan (Docket No. 17-0312), which estimates a cost/kWh saved of \$0.22/kWh. The AG presents a comparison of AIC and ComEd Plan yields at the portfolio and sector level.

The AG notes that AIC's costs/kWh saved are also significantly higher than the Company has proven possible in the past based on actual performance in PY8. In addition, it states, AIC's forecasted cost/kWh saved is higher than its Commission-approved Plan from one year ago, in Docket No. 16-0420. The AG presents a Table with more detailed information at the program level for AIC's Plan, AIC's 2016 Plan, AIC's Actual PY8 Evaluated Performance, and ComEd's Plan. The AG emphasizes that the depictions illustrate how AIC's forecasted costs on a Plan average and in many individual programs are significantly higher than the Company's own past forecasts and performance. The AG states that it also illustrates the extent to which AIC costs exceed ComEd's proposed cost/kWh achieved for its Plan in Docket No. 17-0312. Mr. Mosenthal calculates the goals AIC would achieve with its proposed portfolio if it could match these comparison program-level yields. He maintains that if AIC simply reduced the cost/kWh saved for programs that it currently estimates are substantially more costly than they are in any of the other aforementioned scenarios, it would significantly exceed the unmodified statutory goals.

The AG states that its analysis conservatively shows that with no other changes to its portfolio, if AIC matched ComEd's program yields, it would exceed goals by 10%. The AG emphasizes that if AIC matched its own actual performance in PY8 (the last year of final actual data available), the Company would exceed goals by 34%. Finally, it asserts, by matching what AIC considered reasonable goals just a year ago in its 2016 Plan it would exceed goals by 6%. The AG asserts that this analysis demonstrates that meeting unmodified goals is possible when more realistic, and not inflated, costs/kWh forecasts are utilized. The AG illustrates its analysis as follows:

	Ameren	Program Yield Adjustment Scenarios					
Sector/Portfolio	Proposed Plan	Ameren PY8 Actuals		Ameren 2016 Plan		ComEd 2018 Plan	
	MWh	MWh	% Increase	MWh	% Increase	MWh	% Increase
Residential (including IQ)	77,877	140,524	80%	104,728	34%	105,524	36%
Business (including Public)	225,446	389,540	73%	313,419	39%	328,712	46%
Total Portfolio	303,323	530,064	75%	418,147	38%	434,236	43%
Excess Savings to Meet Unmodified CPAS Goals	(92,677)	134,064	34%	22,147	6%	38,236	10%

The AG compares AIC's and ComEd's C&I private and public sector commercial/industrial programs and concludes that AIC's cost/kWh saved are 50% higher for the private sector and 100% higher for the public sector C&I programs than ComEd's. The AG asserts that, comparing the overall C&I sector savings between the two utilities, ComEd is planning to capture 1.9% of C&I non-exempt load while AIC is only planning to save 1.44% of C&I non-exempt load. The AG concludes that ComEd's C&I goals are proportionately more aggressive than AIC's, yet they are still able to capture the savings at lower cost per kWh.

The AG states there is an even bigger discrepancy between AIC and ComEd in terms of energy savings forecasted in the Residential sector. It explains that this is primarily driven by two Residential programs: IQ and Appliance Recycling. The AG states that the Company's IQ Program is almost four times and its Appliance Recycling is more than double the cost of ComEd's comparable programs in its pending Plan. The AG argues that AIC has presented no compelling evidence that serving IQ customers in the Ameren Illinois service territory is significantly different than in Northern Illinois.

The AG dismisses Mr. Cottrell's assertion that the Company's proposed cost/kWh saved falls just below the "average" of his "national yields comparison." The AG states that cross-examination revealed that his analysis was fatally flawed. The AG states, for example, that Mr. Cottrell's analysis failed to remove outlier, high-cost utility programs, excluded any comparison to ComEd program costs and omitted a full analysis of Midwest utilities.

The AG asserts that AIC overstates the impact of the loss of Exempt customers. It acknowledges AIC's claim that the impact of the loss of now-ineligible 10 MW customers prevents achievement of statutory goals because those large customer savings accounted for more of its total load than for ComEd. Mr. Mosenthal maintains that the disparity in the percentage of energy load lost does not in any way justify AIC's higher

costs. He emphasizes that the goals are based on a percentage of the non-exempt load only, so are also adjusted downward proportionately. Mr. Mosenthal notes that AIC is actually planning to capture a lower percent of its remaining non-exempt C&I load in energy savings than ComEd is. He testifies that, all else equal, it should be relatively easier and cheaper for AIC regardless of how much exempt load it loses. Mr. Mosenthal indicates that for the four main C&I private sector programs combined, the Exempt customer electric incentive cost for AIC was 7.8 cents/kWh, while the non-exempt figure was 8.0 cents/kWh, or only a 3% increase.

Mr. Mosenthal compares what AIC's savings from these programs would be in 2018 using its actual historic incentive cost/kWh saved for the non-exempt C&I customers, but still accepting all of AIC's proposed increased non-incentive costs to cover the more aggressive marketing, outreach and technical assistance efforts necessary to increase the non-exempt participation. He calculated this scenario would result in an increase in net savings of 77,374 MWh per year just from this change in cost/kWh saved assumption for these C&I programs alone. The AG emphasizes that almost three quarters of the entire AIC shortfall in goals could be made up with just these three C&I programs and no other changes.

Mr. Mosenthal testifies that ComEd's projected increase from PY 8 (2015-2016) to 2018, with the loss of Exempt customers, amounts to an increase from 12.4 cents/kWh to 13.0 cents/kWh. He states this constitutes an increase of 5% which is only slightly more than inflation during that period. The AG states that while ComEd is projecting its cost per kWh to roughly stay constant in real terms, it is planning to increase total program savings from the private sector by 18% despite losing the Exempt customers. The AG states that AIC, on the other hand, is proposing to actually decrease savings by 7%, while its program cost/kWh saved is increasing 84% from \$0.11/kWh to \$0.20/kWh. The AG states AIC's cost/kWh increase is more than 14 times (\$0.09/0.63) that of ComEd, even though ComEd will need to ramp up participation much more heavily to satisfy its statutory goals.

The AG also discounts other AIC rationales for being unable to meet the statutory standards. Mr. Mosenthal agrees that the change in the federal standards for residential lightbulbs will result in a dramatic reduction in residential lighting savings opportunities that the utilities can claim after 2020. He states the change will have a smaller but still noticeable impact on the C&I lighting savings potential as well. However, Mr. Mosenthal testifies, the IL-TRM already accounts for this shift in savings, and it has been a known and anticipated event since the standard was passed in 2007. He states that ComEd is facing the same standard, so while this does explain some of the increased costs compared to AIC's historic performance, it does not explain the higher costs compared to ComEd. He notes that AIC is projecting a 25% increase in the costs of its Appliance Recycling program, which does not address lighting. He states the Company projects a roughly threefold increase in cost/kWh saved on the Behavior program, which can include lighting savings, most estimates are that lighting savings account for about 10% of residential home energy report savings. Mr. Mosenthal concludes that the federal lighting standard does not explain its overall more costly portfolio plan than ComEd's, portfolio plan.

The AG maintains that other rationales supplied by AIC for not hitting its statutory savings targets, including the new statutory CPAS requirement to pursue longer lived measures and the rural nature of its service territory, overstate the likely negative impacts on achieving statutory goals.

The AG emphasizes that AIC itself claims that it will achieve efficiencies and synergies over other past and future program administrators in the State because it is a combined gas and electric utility. The AG refers to the assertions at page eight of the Plan, that that its dual-fuel portfolio will result in “increased energy savings and streamlining administrative activities. As a result, increased energy savings can potentially increase the number of measures included and may also raise the cost-effectiveness of several dual-fuel measures.” The AG argues that this seems to contradict AIC's arguments that it experiences higher costs than ComEd generally. If this is the case, the AG argues, AIC should be able to outperform the historic performance of both DCEO and the IPA vendors, as well as the separate gas and electric northern utilities. However, the AG states, as shown in the comparisons with historic PY8 actual performance and AIC's 2016 Plan, AIC has almost universally assumed significantly higher costs than DCEO and IPA vendors achieved in PY8 and as planned for in 2016.

5. Commission Analysis and Conclusion

Ameren Illinois proposes a Plan for 2018 through 2021 that allocates the maximum budgets allowed; the combined budget for the gas and electric energy efficiencies is approximately \$114 million per year. The budget for the gas energy efficiency programs over the four years totals \$62,336,000. The Company's electric energy efficiency budget will be \$98,562,756 for each year of the Plan. AIC asserts that the 2018 Plan meets each requirement of the PUA and will deliver much needed investment and opportunities to manage energy usage to a diverse cross-section of customers of all rate classes, taking into account the unique circumstances of AIC's service territory. AIC states the Plan's focus is on increasing participation of economically challenged communities and customers; transforming delivery methods and market channels through the development and use of diverse businesses; and continuing successful implementation strategies and maintaining program delivery momentum.

The Company states that it has allocated \$114 million, the maximum budget, per year and asserts that it cannot meet the statutory savings goal. AIC requests approval of a modified goal under the provisions of Sections 8-103B(f)(1); (m); and Section 8-104(d). The Company asserts that its allocation of the maximum budget triggers the Commission's authority to modify both the gas and electric annual incremental savings goals. Ameren Illinois supports its request by asserting that a budget modification is necessary to ensure meeting all of the other objectives of PA 99-0906.

The parties are in disagreement over AIC's ability to meet the statutory savings goals. AIC responds to parties' assertions regarding its savings yields, saying they are reasonable and are supported by the Study and an analysis of national data set. The Company emphasizes its efforts to meet Section 8-103B's goals such as including serving low-income customers, public housing, and investing in the future of energy efficiency through development of an energy efficiency workforce that reflects the diversity of its service territory.

Staff notes that Section 8-103B has changed the focus on savings from the goals which emphasized savings achieved by measures in their first year of implementation, to promoting savings that persist for numerous years. Staff states that CPAS require historic savings that persist into the current year plus new incremental savings. Staff indicates that it did a partial analysis due to the time constraints in this proceeding, but opines that, through reallocation, AIC could achieve greater savings than it proposed. Staff suggested, and the Company adopted, two reallocations that would allow the Company to achieve at least 25,000 – 30,000 MWhs of additional first-year savings each year of its plan. With that change, Staff does not object to AIC's Plan.

NRDC-CUB-EDF and the AG object to AIC modifying its savings goals. They assert that Ameren Illinois has not demonstrated that it cannot meet the statutory savings goals within the limits of the statutory budget caps. They state that AIC argues that it cannot meet the required savings goals within the spending cap and still meet its "additional objectives." NRDC-CUB-EDF assert those additional objectives are not required by the statute. They state that the statutory savings goals cannot be lowered to allow AIC to achieve objectives that are not mandated by the law. NRDC-CUB-EDF assert that the Company has not attempted to design a plan that attains the maximum amount of savings possible within the cap and that AIC cannot prove it is unable to achieve the savings goals within the spending cap without at least trying to do so.

The AG asserts that Section 8-103B(m) allows the Commission to approve lower modified goals "*to an amount necessary*" to limit spending to no more than the applicable 3.5% budget cap, as outlined in Section 8-103B(m) of the PUA. (AG's emphasis) The AG asserts that this is a statutory directive that requires AIC to develop a portfolio that comes as close as practicable to meeting the unmodified goals, while still ensuring that it meets other statutory policy goals. The AG states that AIC's request to lower its target savings is based on an over-estimation of the cost it will incur per kWh saved.

NRDC-CUB-EDF and the AG emphasize that Section 8-103B allows the goals to be modified under specific circumstances. They maintain that subsection (m) does not allow for modification of the savings goal based upon a potential study.

The Commission commends the parties on the quality of the analyses and the breadth of the record, given the expedited nature of this proceeding. PA 99-0906 has provided great opportunity, but also great challenges. Ameren Illinois, NRDC-CUB-EDF, the AG, and Staff have all responded admirably.

The Commission has carefully reviewed the record and the arguments of the parties. The Commission finds that the evidence presented does not support a modification of Ameren Illinois' CPAS goals as required under Section 8-103B(b-10). Sections 8-103B(f)(1) and (m) provide the Commission with discretion to modify the goals only if specific criteria are met. The Commission concurs with AIC that many of the measures it proposes would promote the objectives of Section 8-103B. However, the evidence does not demonstrate that the Plan was designed to meet the CPAS as required in Section 8-103B(f)(1). The Commission is aware of the additional difficulty in achieving savings with the exclusion of the Exempt customers. The Commission notes, however, that the CPAS goals set by the General Assembly were modified to take the loss of the Exempt customers into consideration. Although Ameren Illinois complains that the same

parties did not object to the use of the Study in Docket No. 16-0413, the \$/kWh savings yields in the PY8 Plan were set at \$0.21/kWh and \$0.13/kWh in that Plan, substantially lower than the savings yield proposed for the 2018 Plan. Moreover, the Study, upon which AIC relies to conclude that it cannot meet the statutory savings goal, was completed in 2016, before the General Assembly set the CPAS goals and modification requirements in PA 99-0906. Finally, although the Commission appreciates AIC's efforts to promote the objectives of PA 99-0906, the Commission finds that the CPAS goal must be met before measures are adopted for non-mandatory policy objectives. The Commission will not modify the CPAS goal absent a showing that every attempt has been made to meet the goal and it cannot be met. Ameren Illinois' request for approval of modified goals is denied. AIC is directed to revise its Plan to reduce its overall cost/kWh such that the Plan achieves the cumulative statutory goals by 2021.

H. Exempt Customers

Using demand data through April of 2017, Mr. K. Martin prepared a list of customers who are exempt ("Exempt Customers") pursuant to the provisions of Section 8-103B(m). He states that if additional customers are added to the list during the remainder of 2017, then goals and budgets will change to reflect the final list of Exempt Customers. Mr. K. Martin explains that if the budget is to be reduced, such reduction will be applied to the "Contingency Fund" as labeled and identified in Appendix A of the Plan. He states that Contingency funds that remain after the final list of Exempt Customers is established will be allocated to the IQ Initiative and the savings associated with the IQ Initiative increased proportionally. He testifies that if the budget reduction were to exceed the available Contingency Fund, AIC would reduce all program budgets and related savings proportionally. Mr. K. Martin states that in the scenario where the budget would increase, both the Contingency Fund and any additional funds would simply be added to the IQ Initiative with savings associated with the IQ Initiative increased proportionally.

I. Evaluation, Measurement, and Verification

1. AIC's Position

Mr. K. Martin testifies that, consistent with Section 8-103B(g)(6) and 8-104(f)(8), the Plan proposes an Evaluation, Measurement, and Verification ("EM&V") framework in accordance with the EE Policy Manual. He notes that spending on EM&V is capped at 3% of portfolio resources in any given year. Mr. K. Martin presents protocols related to the independence of program evaluators, the SAG Facilitator, and IL-TRM-Administrator that were agreed to between the Company and Staff.

2. Staff's Position

Dr. Brightwell proposes eight administrative recommendations. Staff indicates that in general, these recommendations relate to processes to ensure the independence of various third parties associated with the energy efficiency plans of all utilities and commitments from Ameren Illinois to further develop processes that affect each of the utilities subject to Sections 8-103B or 8-104. In particular, Dr. Brightwell's proposed administrative protocols govern independence of the evaluator, SAG Facilitator, and IL-TRM Administrator. He explains that one of the purposes of the protocols is to create consistency between Ameren Illinois and the other electric and gas utilities subject to

Sections 8-103B or 8-104. Dr. Brightwell testifies that in addition, Staff is seeking: (1) a uniform reporting template across utilities; (2) a commitment that the first adjustable savings goal update will be discussed with SAG; (3) a commitment to good faith efforts to develop an updated version of the EE Policy Manual; (4) a commitment to use experimental methods for evaluations when practical; and (5) a commitment to discuss revisions to the current EM&V framework.

Dr. Brightwell states that if the Commission approves AIC's proposal for modified goals, Item 6, "Adjustable Savings Goal Template" should be modified to include reference to Section 8-103B.

Staff indicates that it is in agreement with AIC as to the provisions as presented on pages 3 – 8 of Ameren Exhibit 8.1(Rev.). Staff recommends the Commission approve the provisions.

3. Commission Analysis and Conclusion

AIC and Staff are in agreement as to protocols related to the independence of program evaluators, the SAG Facilitator, and IL-TRM-Administrator. No party objects. Based on the evidence in the record, the Commission finds that the protocols as presented by Staff and agreed to by the Company should be approved.

J. Plan Components

1. Peak Demand Reduction

Mr. Noonan testifies that, pursuant to Section 8-103B(g)(4.5), the Company has peak demand reduction goals of 1.78 MW for each year of the 2018 Plan. The Company states that it plans to have its proposed measures reduce energy consumption and, through coincident reduction in kilowatts ("kW"), reduce peak demand to meet its savings goals. It indicates that this is the method that was accepted in multiple proceedings, most recently in Docket No. 16-0413.

2. New Building and Appliance Standards

Mr. K. Martin testifies that the Plan presents specific proposals to implement new building and appliance standards as required by Sections 8-103B(g)(2) and 8-104(f)(2). He states the proposals are to focus on the newer, more efficient Light Emitting Diodes ("LEDs") for both the residential and business segments. In addition, he says AIC will continue its involvement with the building codes working group with the other electric and gas Illinois utilities. Mr. K. Martin indicates that the Company will discontinue discounting or distribution of compact fluorescent light ("CFLs") and will phase out fluorescent linear tubing. According to Mr. K. Martin, AIC plans to provide training and education opportunities about codes and standards to Program Allies and offer Building Operator Certification ("BOC") training through Market Transformation initiatives.

3. Third Party Implementation Programs

Mr. K. Martin notes that PA 99-0906 requires AIC to include third-party energy efficiency implementation programs in an amount that is no less than \$8.35 million per year. He states the programs are required to be bid in 2018 for one or more of the years with implementation commencing January 1, 2019. He indicates the Company is required to conduct a solicitation process and identify the sector, technology or geographical areas

for which it is seeking bids. He states the bidder qualifications, performance measurement process, and contract structure are subject to Commission approval and that the Company is to retain an independent third-party to score the bids received through the process.

Mr. K. Martin explains that Ameren Illinois modeled the spending of \$8.35 million, on the third party program, annually 2019 through 2021. He states that there is uncertainty regarding the savings to be associated with the \$8.35 million in the latter years, because there is fluidity in the third-party requirement. Mr. K. Martin testifies that Ameren Illinois developed four key criteria for its third-party initiative proposal. He elaborates that it must: 1) be independent of other market engagement strategies/programs and easily stand alone; 2) able to benefit from a competitive solicitation, i.e., innovation and/or pricing reductions; 3) be independent of community-based strategies; and 4) be capable of attract national firms to bring expertise or leverage to the Ameren Illinois market.

Based on its criteria, Ameren Illinois proposes that certain measures, in the Residential Retail Products Initiative, Residential Direct Distribution Efficient Products Initiative and Business Standard Initiative, delivered through national retailers and online stores in 2018, would satisfy the third-party program/initiative requirement. The Company explains that the cost of the applicable electric measures associated with these initiatives and delivered via the retail and online distribution channel is similar to the annual \$8.35 million budget requirement. The Company asserts this proposal could operate as part of a stand-alone initiative that does not require significant integration or cause disruption with other key initiatives of the 2018 Plan.

AIC discusses the benefits to using its proposed approach for the third-party initiative. The Company states that it could expeditiously issue a request for proposals ("RFP") tailored to finding the best vendor, with strong national and regional retailer relationships, and an established history of running similar programs in other markets. Ameren Illinois states it could bid the program /initiative out in a manner consistent with prior RFPs (using criteria consistent with how Ameren Illinois assesses other vendors). The Company asserts that it could use a focused solicitation process and that an aggregated market share would have a greater influence on market actors, i.e., manufacturers and retailers. The Company says there is significant "disruption" in these commodity markets – retail sales processes are changing quickly -so innovation is key to success. Ameren Illinois describes the technology as including the measures identified in the Initiatives that customers are able to purchase online or through traditional retailers, including lighting, power strips, and other retail products as listed in the Initiatives. The Company says that the sector would primarily consist of residential and small business consumers interested in purchasing and installing products on their own. It states the geographic area would include the entire Ameren Illinois service territory.

AIC states that the bidder qualifications would be similar to qualifications that applied to vendors bidding in the Illinois Power Agency Act (20 ILCS 3855/1-1 et seq.) procurement process. The Company explains that the performance measurement proposed would include delivery of net kilowatt hour ("kWh") savings with high levels of customer service and support. It says the contract would extend over a 3-year term beginning January 1, 2019 and ending December 31, 2021 and would include pay for

performance or time and material compensation. Ameren Illinois will hire an independent party to assess the proposals from the RFP and to develop and implement a scoring and ranking process consistent with the EM&V protocols.

4. Residential Program

AIC's Residential Program is comprised of eight initiatives: Behavior Modification, Direct Distribution Efficient Products, Retail Products, HVAC, IQ, Appliance Recycling, Public Housing, and Multi-family. The Company says the initiatives address key electric and natural gas end-uses in single family and multifamily units, provide incentives and services, and offer a range of educational opportunities. Each initiative is a potential entry point for customers into the Program, which is structured to facilitate cross-promotion between initiatives. The Plan includes a description, time frame, estimated budget, estimated participation, target savings, collaboration provision, delivery strategy, targeting strategy, marketing strategy, list of eligible measures, and calculation of energy saved for each initiative.

AIC notes that Section 8-103B(c) requires Ameren Illinois to spend at least \$8.35 million of electric funds per year on low income customers with household incomes at or below 80% of the area median income. In the IQ Initiative, Ameren Illinois proposes an electric budget of approximately \$15.6 million per year dedicated to improving the energy efficiency of single and multi-family homes owned or occupied by low- and moderate-income customers. AIC states that its IQ Initiative targets both low- and moderate-income qualified customers and low-income communities. The Company indicates the IQ Initiative provides for a comprehensive home energy assessment followed by efficient equipment and other improvements at little or no cost to the customer.

In its Reply Brief, states that NRDC-CUB-EDF characterizes its proposal to include air conditioners in its IQ program as a luxury that cannot be afforded. AIC emphasizes that its IQ Initiative is designed to ensure the provision of long term benefit to low- and moderate-income customers through the installation of comprehensive, long-lived measures that will provide sustainable benefit. It argues that it should not simply provide the lowest cost measures to maximize short term energy savings.

In response to the AG's recommendation that the Company should leverage services provided by DCEO, the Company states that will contract with DCEO when practicable. AIC asserts that its fundamental concern with relying on the DCEO infrastructure is the uncertainty of funding and the availability of the program to provide the needed measures. The Company maintains that requiring it to strip down services to IQ customers would create lost opportunities for low income qualifying customers to treat their homes and reduce the ancillary benefits, such as job creation, generated by the initiative.

5. Business Program

AIC's Business Program is comprised of four initiatives: Standard, Custom, Retro-Commissioning, and Street Lighting. The Company explains that the initiatives provide incentives and services to non-residential customers to achieve electric and natural gas energy savings. AIC states that the cornerstone to the Business Program is providing incentives to private and public sector non-residential customers to conduct energy

efficiency projects and reduce their energy usage. It states that other aspects of the Program include education and training, energy efficiency marketing, encouraging advanced energy efficiency construction and monitoring practices. The Plan includes a description, time frame, estimated budget, estimated participation, savings targets, collaboration provision, delivery strategy, target market, marketing strategy, eligible measures, tracking method, and cost per energy saved for each initiative.

6. Research and Development

a. Breakthrough Equipment and Devices

The Company notes that pursuant to Section 8-103B(h), AIC is allowed to spend up to 6% of the electric funds and up to 3% of the gas funds, approximately \$6 million annually, on research and development ("R&D"), including Breakthrough Equipment and Devices ("BED") as defined in the EE Policy Manual. Ameren Illinois is reserving approximately 50% of these funds for use in developing equipment or services within the BED definition.

With these funds, Ameren Illinois intends to implement a process that identifies and tests devices, equipment, processes, and services that have energy savings potential. The Company states that it may also continue to invest BED funds in research organizations that support energy efficiency. It explains that organizations such as these provide opportunities to take advantage of research being conducted at a national level, leveraging energy efficiency funding from across the country. The Company asserts that these investments provide a cost efficient approach to monitoring the energy efficiency landscape and identify opportunities when they arise. The Company provides a non-inclusive list and descriptions of examples of BED projects or pilots that AIC intends to investigate over the 2018 Plan period: Business Behavioral Modification, Residential Energy Disaggregation, Smart Street Lighting, Codes and Standards, and a flexible payment billing option.

In particular, the Company explains that the flexible payment billing option has potential to achieve energy savings and should be considered as an energy efficiency measure. AIC asserts that the flexible payment billing option could provide the same type of feedback as other behavior-based programs designed to provide customers with feedback regarding their energy usage, but in a more timely and meaningful manner. The Company states this service could provide feedback of daily, weekly or monthly consumption delivered through a smart device in the form of a dedicated app, text, or email. The Company reasons that once a customer places money in an account, the customer is more likely to pay attention to how quickly energy is used and the rate at which the account balance declines. It maintains that, unlike other behavior feedback programs, timely feedback allows customer to associate behaviors (for example, more loads of laundry or different thermostat settings) with energy usage and cost. AIC explains that customers could see a high use day, understand the reasons for the high use, and make behavioral adjustments, on their own terms. AIC states the service could also provide alerts indicating abnormally high use or low account balances – again allowing customers to make adjustments on their own terms. The Company concedes that like other new and innovative programs, savings are not certain.

Ameren Illinois initially proposed a flexible payment billing option as the next generation of behavior-based programs that leverage Advanced Metering Infrastructure (“AMI”) data and the latest smart device technology for purposes of helping customers achieve significant savings. It emphasizes the significant investment made in facilitating the development of AMI data and the potential for the flexible billing option to put customers at the helm of controlling their energy usage in a unique fashion. AIC withdrew its request for approval of this service as part of the BED budget.

Ameren Illinois concedes that it is unlikely the Company will see significant energy savings related to the BED investments during the 2018 through 2021 implementation period. It asserts that these investments are intended to provide meaningful savings opportunities for the next planning period. Ameren Illinois contends that investing in the future through pilot programs is an important step in finding ways to achieve significant savings using new technologies and delivery channels. AIC states that to the extent it achieves verified savings, it will count BED-related savings towards its achievement of savings goals.

b. Market Development Initiative

Ameren Illinois proposes to use the other 50% of the funds permissible for R&D to a Market Development Initiative, focused on increasing the capacity for delivering energy efficiency programs through partnerships with a broad range of existing and developing resources in communities across the Ameren Illinois service territory. The Company proposes using approximately \$2.9 million annually for the Market Development Initiative. AIC intends for it to: 1) increase the number of locally held jobs held by diverse individuals providing energy efficiency services within economically-challenged communities; 2) increase the number of diverse business entities that deliver energy efficiency services to Ameren Illinois customers; and 3) increase the number of participants from targeted diverse communities that participate in Ameren Illinois energy efficiency programs.

AIC provides a lengthy list of strategies and a description of how it intends to implement the Market Development Initiative. It indicates that it will research successful programs and the primary barriers for energy efficient job development and business growth. The Company indicates that it will identify, work with, and enter performance based agreements with community organizations to achieve sustainable results in increasing the number of diverse individuals and businesses employed by, providing, or participating in Ameren Illinois energy efficiency programs. AIC states it will create a list of energy efficiency job and business opportunities within its portfolio of programs and will use engagement strategies, including business training, technical training, coaching/mentoring, and provide access to business expertise. The Company states the Initiative will be evaluated based on sustainability and measured for indicators of progress throughout its duration.

AIC asserts that its Market Development Initiative is responsive to a common theme from many participants in the Low Income Advisory Group and community-based organizations. According to the Company, the Committee and community-based organizations recommend that rather than just delivering energy efficiency programs, deliver them in a manner that creates local jobs for diverse candidates and provide economic development for economically-challenged communities. Mr. K. Martin testifies

that many speakers at the meetings have expressed the importance of engaging the community in the design and delivery of energy efficiency programs so that the programs reflect the needs, as well as the local diversity, of the residents and businesses.

Ameren Illinois anticipates that key market transformation impacts from its Market Development Initiative will increase: (1) the amount of program funding that passes through diverse businesses as a result of their direct support of Ameren Illinois energy efficiency programs; (2) the number of jobs created through the effort; (3) the proportion of program dollars flowing into targeted communities; and (4) the number of diverse participants in Ameren Illinois energy efficiency programs. Other potential impacts include greater community awareness of energy efficiency programs and greater penetration into hard-to-reach market segments—which will, in turn, lead to greater participation in energy efficiency from the hard-to-reach market segments.

K. Proposed Plan Changes

1. Staff's Position

Dr. Brightwell testifies that formerly, under Section 8-103 the goals emphasized savings achieved by energy efficiency measures in their first year of implementation. Conversely, he says, under Section 8-103B the new goals consider CPAS and thus promote savings that persist for numerous years. He states that to achieve CPAS, an electric utility needs to have historic savings that persist into the current year plus new incremental savings that meet or exceed the difference in CPAS between the current year and the most recent year.

Dr. Brightwell opines that AIC could achieve greater savings than it proposes with its modified savings goals. He provides an analysis showing that the Company can reallocate funds in such a way that allows it to reasonably achieve at least 25,000 – 30,000 MWhs of additional first-year savings each year of its plan. Dr. Brightwell testifies that this level of savings could be achieved through two reallocations. Dr. Brightwell asserts that the Company can save approximately 24,000 additional MWhs per year through reallocating \$5.9 million from R&D and \$970,000 from a contingency fund currently assigned to AIC's business programs. Dr. Brightwell demonstrates that additional expenditures could be reallocated from 16 SEER air conditioners in the IQ program. He calculates that reallocating these funds would result in additional savings of between 1,000 MWhs and 8,000 MWhs, depending on the year and whether these funds stayed in the low income program or were redistributed to other residential programs. Combining these reallocations, Dr. Brightwell recommended that the Commission require that AIC achieve at least 25,000 – 30,000 MWhs of additional first-year savings in each year of the plan.

In its rebuttal testimony, AIC proposed to reach an additional 27,748.17 MWhs of savings each year. Staff states that under AIC's proposal, the Company would achieve 14,827 MWhs by reallocating about 40% of its \$5.9 million R&D budget and the entire \$970,000 contingency fund towards its business programs. Staff indicates that another 12,922 MWhs each year would be achieved by counting gas savings from joint gas and electric programs towards electric goals. Staff does not object to AIC's proposed method of achieving 27,748.17 MWhs of additional savings each year.

2. NRDC-CUB-EDF's Position

NRDC-CUB-EDF assert that changes could be made to AIC's Plan that would enable it to both meet statutory goals and allow for discretionary objectives. They state that Mr. Neme, Mr. Mosenthal, and Dr. Brightwell each identified multiple ways in which AIC could modify its Plan in order to increase projected savings. They explain that the primary purpose of their suggestions is not to rebuild the Plan, but to show by way of examples that the Plan could generate much more savings than currently projected. NRDC-CUB-EDF state that this proves that the Company has not demonstrated that the statutory savings goals must be reduced – or at least not by the amounts that AIC suggests.

NRDC-CUB-EDF propose the following as opportunities to increase savings:

(1) Reallocate the \$5.9 million per year for R&D. NRDC-CUB-EDF explain that no energy savings are attributed to this spending. They assert that while the statute allows for up to 6% of the electric budget to be spent on R&D, there is no requirement to spend any money on it. NRDC-CUB-EDF state that witnesses Neme, Brightwell, and Mosenthal each recommended that these dollars be reallocated to business programs in order to increase savings. NRDC-CUB-EDF acknowledge that AIC offered to reallocate 40% of these dollars, but maintain that when the Company is asking for its goals to be reduced, R&D should be considered a luxury that cannot be afforded. NRDC-CUB-EDF recommend that 100% of the R&D budget should be reallocated, unless AIC can find an equivalent amount of additional savings elsewhere.

(2) Reduce the portion of the budget allocated to public buildings. Mr. Neme notes that the Plan allocates about 10% of its electric budget to public buildings, yet, the cost of savings from those buildings is projected to be 64% more expensive than savings from private businesses. AIC is only required to spend 7% of its budget on public sector measures. NRDC-CUB-EDF recommend that a simple and logical way to increase savings is to reduce the portion of the budget allocated to public buildings to the statutory minimum, unless yields for public buildings are improved to a level closer to those of private businesses.

(3) Eliminate the most cost-ineffective measures from its programs. NRDC-CUB-EDF state that AIC has budgeted \$3.7 million in incentives per year to replace central air conditioners in its IQ Program. They emphasize that this one item represents nearly 5% of AIC's total proposed budget, but only about 0.1% of its projected savings. They say that the cost that is four times its level of benefits. NRDC-CUB-EDF recommend that the budget for this item be put to much better use. They suggest either re-allocating the funds to business programs to produce on order of 70 times more savings; or by re-allocating them to other, more cost-effective low income programs to produce nearly 10 times more savings.

(4) Improve yields in the business programs. NRDC-CUB-EDF observe that the Plan projects to acquire savings at a 30% to 250% higher cost for private sector business customers than AIC did in PY8. They state that while the loss of Exempt customers could have some effect to increase the costs of business programs, there are other programs (small business direct install, for example) that should be unaffected by that departure and other programs (e.g., Custom, Standard and Retro-Commissioning)

for which any increase should be much lower than what AIC projects. NRDC-CUB-EDF assert that if AIC held its business program increases to 25% over PY8 for Standard and 60% over PY8 for Custom (still 24% higher than ComEd for the same programs), the Company could increase projected savings by 58,000 MWh.

NRDC-CUB-EDF maintain that adoption of the foregoing changes to the 2018 Plan would by themselves enable the Company to achieve the statutory savings goals. It says that is true even before adding the 12,922 MWhs of additional electric savings which will result from AIC's decision to convert natural gas savings to electric savings. NRDC-CUB-EDF assert that if there were any doubt about any of the above-proposed ways to increase savings, there are still more opportunities for AIC to increase the energy savings in its Plan. These include:

- Lowering IQ non-incentive costs by fully leveraging the existing low income efficiency service delivery network in Illinois;
- Reallocating dollars from the most cost-ineffective low income measures to more cost effective low income measures to increase savings in the low income program;
- Reducing incentives for residential specialty light bulbs;
- Lowering the unjustified, 20%-per-year increases in non-incentive costs for Appliance Recycling;
- Increasing participation in the Residential Behavior program in the last year or two of the plan;
- Taking advantage of potentially low-cost strategic energy management projects with larger (but not Exempt) business customers;
- Making adjustments (i.e. claiming more gas savings as kWh equivalents) for potential additional electric budget subsidization of gas savings;
- Paying for 2017 commitments to DCEO new construction program participants out of 2017 funds put in an escrow account;
- As a very last resort, and only if no other options are available, reducing low income spending to the extent it is projected above the statutory minimum.

NRDC-CUB-EDF explain that the point of the foregoing list is not that AIC must be required to adopt each and every one of these changes. They state the point is that it is possible for AIC to optimize its Plan such that it meets (or exceeds) the statutory requirements and allows for increased spending on other discretionary objectives. NRDC-CUB-EDF recommend that AIC's request for a modification of its savings goal be denied.

3. AG's Position

a. Adjusting the Yields

The AG concludes that AIC has ample room to adjust and spend more per kWh saved than traditionally spent (although less than AIC has forecasted it will need) and still

meet unmodified goals. The AG states AIC could also achieve additional savings with budget reallocations.

The AG supports the changes Mr. Mosenthal proposes as a “conservative scenario of adjusted yields.” He accepts AIC’s proposed yields for five programs: Residential HVAC, Retail Products, Public Housing, Business Standard Public Street Lights, and Ameren- Owned Streetlights. He proposes the following changes to the other Plan programs:

- For Residential Multifamily, and Business Standard Private Sector, Small Business and Public Sector programs, Mr. Mosenthal assumes AIC should be able to match its 2016 Plan, adjusted upward for inflation. He explains that these programs have not undergone major changes, as Exempt customers are either none or a small fraction of the savings. He states that for the Standard Programs, some lighting incentives and LED costs are actually going down, which should lower costs, all else equal.
- For Appliance Recycling, Direct Distribution of Efficient Products in Schools, and Behavior Modification, Mr. Mosenthal assumes AIC can meet ComEd’s proposed yields. He explains that these programs are largely the same and not geographic specific, so he sees little reason AIC could not equal those forecasted energy savings yields. Mr. Mosenthal states that the ComEd costs are, in most cases, still higher than AIC’s PY8 performance, which the Company proved feasible. He asserts that AIC should be able to offer the Behavior program less expensively, because it is a combined utility and so can share the implementation costs with gas customers.
- For Income Qualified, Mr. Mosenthal allows AIC a conservative 20% increase in costs over ComEd’s Plan. He explains that the majority of the IQ program costs should be identical to ComEd’s because they both can simply participate in the same statewide IHWAP program. Mr. Mosenthal notes that the assumed 20% increase in IQ costs is 8% higher than what DCEO proposed for Ameren Illinois territory in its 2016 Plan.
- For the C&I Custom and Retrocommissioning Programs (both Private and Public sectors), Mr. Mosenthal allows AIC a full 25% higher cost/kWh than it (or DCEO) proposed in the 2016 Plan. He opines that this should more than account for the loss of Exempt customers. He explains that for all but the Retrocommissioning Public program, these assumptions range from 35% to 46% higher than ComEd’s assumed costs for these same programs.

The AG asserts that with all of these conservative changes in assumptions, AIC would fall just short of the levelized, unmodified goals by about 3,000 MWh per year, without any additional reallocations of budget. However, Mr. Mosenthal says that AIC could pursue an even more costly scenario if it chose to because with additional shifts of the BED and Contingency funds, along with corrected fuel allocations, AIC would exceed goals by 37,758 MWh per year. The table below (from AG Ex. 1.0-2R, p. 42) summarizes these numbers:

Sector/Portfolio	Ameren Plan	AG Proposal	
	MWh	MWh	% Increase
Residential (including IQ)	77,877	91,514	18%
Business (including Public)	225,446	301,258	34%
Total Portfolio	303,323	392,772	29%
Savings From Additional Funds from BED, Contingency, and Adjusted Allocation (\$8.38MM) at average portfolio yield	25,801	40,986	0
Total Portfolio with Additional Funds	329,124	433,758	43%
Excess Savings to Meet CPAS	(66,876)	37,758	10%

The AG reiterates that AIC has presented an inflated forecast of cost/kWh saved. For all of the reasons discussed above, the AG recommends that the Commission should order AIC to recalculate program costs, using more reasonable assumptions.

b. Budget Shifting

The AG asserts that in addition to lowering its forecasted cost/kWh saved to a more fact-based, reasonable assumed level, AIC has the ability to make other changes to its Plan to ensure achievement of statutory goals. The AG emphasizes that Section 8-103B allows the Commission to approve lower modified goals “*to an amount necessary to limit*” (emphasis added) spending to no more than the applicable 3.5% budget cap, as outlined in Section 8-103B(m). The AG maintains that this statutory directive requires AIC -- if it is to ask the Commission to approve lower modified goals -- to develop a portfolio that comes as close as practicable to meeting the unmodified goals, while still ensuring that it meets other important policy goals, such as maximizing investments in income qualified programs and offering programs for all non-exempt customers. The AG asserts that the record is clear that AIC has failed to do that.

The AG states, for example, while the statute permits AIC to spend up to 6% on BED, it neither requires this investment nor imposes any minimum spending level necessary for this budget category. The AG notes that AIC has reduced its BED budget in its Rebuttal filing, but that the Company insists on retaining funds for this budget category, notwithstanding its request for modified goals. Moreover, the AG states, Mr. Mosenthal testifies that AIC has not attempted to maximize goals when allocating investments in different programs. The AG says that Mr. Neme similarly opined that AIC appears to have not made achieving the annual statutory savings goals a priority.

In the AG's view, the fact that AIC revised its output of proposed savings in Rebuttal in response to Dr. Brightwell's recommendations to shift BED and “Contingency” funds to other programs, demonstrates that AIC had not revisited its savings forecast to attempt to achieve the statutory goals outlined in subsection (b-15). The AG notes Dr. Brightwell testimony that his recommendations to increase savings goals amounted to a partial analysis given the time constraints in this case. The AG asserts more changes are required.

The AG notes that, notwithstanding Mr. Martin's rebuttal testimony conceding an 80% re-allocation of certain BED funds to AIC's Business programs, the \$2.9 million

remaining in the fund, targeted to training and employment diversity investments, do not directly pursue any efficiency savings. The AG states that a few points must be made on this budget allotment. First, the AG unequivocally supports and endorses training and hiring efforts designed to increase the diversity of energy efficiency work forces in AIC territory. Indeed, the AG, as can be seen in AG Ex. 1.6, page 7, Section D, attached to Mr. Mosenthal's testimony, insists that such efforts be a part of ComEd's energy efficiency program delivery efforts. However, the AG finds AIC's allocation of specific budget dollars to these efforts questionable given the larger request for modified goals and the loosely defined actions that AIC will enact as part of its effort.

The AG asserts that the existing University of Illinois ("U of I") energy efficiency training program that is used by IHWAP is available to AIC. It observes that while Mr. Martin testifies that the Company intends to leverage the existing U of I program, he also indicates that no AIC employee or consultant, to his knowledge, examined whether Community Service Block Grants, offered through DCEO for the provision of support services associated with training and recruitment, are available to assist in such efforts. The AG gives Mr. Martin credit, for stating that AIC would be open to examining such resources. But, it states, the fact remains that the BED budget allocation is potentially overstated given the current existence of these other resources.

The AG states that other implementation assumptions can also be modified to reduce the cost/kWh delivered. Mr. Mosenthal testifies that for actual measure costs, AIC will assign any gas incentives for gas measures to gas customers and electric measures to electric customers, which he finds reasonable and endorses. However, the AG notes that AIC states its non-incentive costs, including both program specific costs and portfolio level administrative costs "typically have been assigned using an allocation factor based on the available budgets" a methodology for allocating non-incentive costs that Mr. Mosenthal states was chosen with no relation to the savings or benefits that will accrue to each set of ratepayers, nor to any actual fuel-specific costs of service. The AG states that Mr. Neme performed a detailed calculation on this issue that yielded a \$1.6 million addition to the available electric budgets for purposes of achieving statutory goals.

The AG indicates that another area for budget shifting are the "market transformation" programs. The AG observes that plans to pursue a number of "market transformation" programs, including Builder Operator Certification; Illinois Codes Collaborative and Codes Education and Technical Assistance Programs; and Strategic Energy Management ("SEM"), for which it has not included any savings. The AG observes that other utilities in North America pursue and count savings for all of these programs. The AG states that even ComEd has included a SEM program in its planned portfolio, for which it has counted savings. The AG does not find it acceptable for AIC to simply label these programs "market transformation" programs and then omit all savings from them. The AG states that AIC apparently still plans to count the savings towards accomplishment of its goals.

The AG states that, assuming no addition of amounts from the market transformation program budgets, AIC could reallocate at least \$8.38 million from the BED, contingency, and fuel reallocation funds. The AG details how much AIC's savings would increase under using the proposals Mr. Mosenthal presents in his testimony. (AG Ex. 1.0-2R, p. 42) The AG asserts this is possible if the additional savings were conservatively

captured at the overall portfolio yields and not earmarked specifically to programs with cost/kWh saved lower than the portfolio average. The AG asserts that the table demonstrates that, all combined, these scenarios would result in savings between 10% and 48% in excess of the levelized annual unmodified goals.

The AG suggests that these adjustments, as set forth in the Mr. Mosenthal's table (AG Ex. 1.0-2R, p. 42) can be modelled in a revised AIC 2018 EE Plan to be submitted to the Commission.

c. IQ Implementation

The AG maintains that AIC's IQ implementation strategy should be consistent with other Illinois utility approaches and not unnecessarily duplicate the existing IHWAP framework. Mr. Mosenthal testifies, that the costs/kWh saved that AIC projects for its IQ program are roughly four times more for its primary single-family and multi-family IQ programs than ComEd is budgeting. The AG emphasizes that this is the case despite AIC's claim that it can be more cost-efficient in delivering joint gas-electric programs because it is a combined utility. The AG compares AIC's plan to spend \$1.66/kWh to ComEd's plan to spend 45 cents/kWh for its IQ programs and asserts that AIC supplied no valid reason to justify this extreme difference. Mr. Mosenthal opines that this significant discrepancy in cost/kWh deliver is driven by a few major intentional and unwarranted implementation choices by AIC. He states implementation choices include: very high non-incentive and delivery costs and an exorbitant and inappropriate focus on investing in non-cost-effective central air conditioners in the IQ market. He states the air conditioners are extremely costly in terms of the savings they provide.

The AG reiterates that Illinois electric and gas utilities are, for the first time since the inception of utility-mandated delivery of energy efficiency programs, charged with implementing IQ programs – a duty previously assigned to DCEO. The AG emphasizes that a clear objective of the AG throughout the SAG's Portfolio Planning process, and in this proceeding, is to ensure that the utilities do not waste ratepayer resources by failing to leverage existing program delivery infrastructure offered through IHWAP and other not-for-profit IQ program providers. The AG emphasizes that there are numerous entities, including the DCEO-managed IHWAP program, that deliver high quality, comprehensive weatherization measures to low income customers throughout the State of Illinois. Mr. Prince testifies that the State, through DCEO, currently runs a successful IHWAP program that provides comprehensive weatherization services throughout Illinois.

The AG explains that IHWAP currently is funded with both federal and State funds, as well as utility-collected funds provided through energy efficiency programs provided under Sections 8-103B and 8-104 of the Act. The AG states that given the need throughout the State of Illinois, IHWAP has generally maintained a substantial customer waitlist. It explains that all households with incomes at or below 200% of the Federal Poverty Level ("FPL") are eligible to participate. IHWAP relies on a multitude of Community Action Agencies ("CAAs") throughout the State to implement the program.

The AG states that in the past, DCEO combined its 8-103 and 8-104 low income program funding source from utility ratepayers for customers whose annual income falls below 200% of Federal Poverty Level with the IHWAP program through grants in a way that provided a seamless service to customers and allowed the energy efficiency funds

to leverage both the State and federal funds and the existing IHWAP infrastructure to provide comprehensive services.

The AG says that while there is some indication there may be limits to complete incorporation of all IQ efforts within the IHWAP program, there is absolutely no justification for AIC's costs for this portion of its IQ program to be significantly higher than ComEd's. The AG asserts that all other utilities in Illinois have agreed to leverage the IHWAP program to the greatest extent possible. The AG finds it likely that a significant portion of the households AIC will serve in its IQ programs will be eligible for IHWAP. The AG states that while ComEd only this month learned of a possible cap on the amount of this leveraging, ComEd is not planning on changing its forecasted program savings or budget for its IQ program.

The AG complains that AIC was vague on describing how it would leverage the existing IHWAP network for its IQ programs. The AG observes AIC's assertion that the Company will "utilize the Community Action Agencies to deliver weatherization services to the fullest extent possible...and coordinate with IHWAP to implement activities that support the development of home weatherization infrastructure, such as training." However, the AG asserts, AIC has not communicated with IHWAP manager, Mr. Prince about how AIC's IQ program would be implemented, nor has AIC communicated how the so-called "coordination" with IHWAP will work. The AG states that there are waiting lists for eligible IHWAP participants, which suggests any significant budgeting for marketing of another IQ weatherization program may be unnecessary. The AG adds that it is unclear who would own any new equipment purchased for the AIC IQ program.

The AG asserts that leveraging the IHWAP infrastructure in a way that takes advantage of the existing IHWAP network and not create confusion among customers who qualify for both programs will be critical. Mr. Prince describes the IHWAP training program, which utilizes implementation training through the University of Illinois, as one of the best in the country. The AG emphasizes that while AIC has set aside millions in BED for program training, the infrastructure and investment to develop weatherization training has already been made through IHWAP at the local level. The AG maintains that the existing infrastructure must be leveraged to the greatest extent permitted under law to ensure ratepayer dollars are cost-effectively managed. The AG observes that AIC is asking for a budget of \$1.66/kWh for this program while ComEd is asking for a budget of \$0.45/kWh and concludes that AIC's budget estimates are assuming much higher costs.

The AG notes that AIC's IQ Program proposal also includes an assumed installation of a large number of high efficiency central air conditioners in single family and multifamily IQ homes with gas heating that are also electric customers. The AG states these air conditioner installations are very costly and produce very little savings. The AG states that AIC is budgeting \$3.7M, i.e., 24% of AIC's entire IQ budget, in electric incentives for this single measure. The AG compares the cost with AIC's projected savings of 304 MWh, i.e., 3% of the 9,430 MWh of savings in the IQ program; AIC estimates the savings from this measure to be \$12/kWh. The AG asserts that simply removing this one non-cost-effective measure and serving more IQ customers by reallocating the funds to the remainder of the program would improve AIC's IQ yield from \$1.66/kWh to \$1.31/kWh -- a 21% cost reduction.

In light of this evidence, the AG recommends that the Commission should pay particular attention to IQ program implementation strategies. The G asserts that low income customers throughout the State should have access to similar programs with similar presumed energy savings yields per dollar spent. The AG recommends that the Commission should provide specific direction to AIC to (1) revise its proposed cost/kWh to a level that approximates ComEd's forecasted IQ program cost/kWh; (2) integrate its IQ services with IHWAP to the fullest extent possible and as permitted under law, in coordination with IHWAP management; (3) eliminate the non-cost-effective central air conditioner measures and reallocate these funds to serve more IQ customers; and (4) work with the SAG and members of the Economically Disadvantaged Advisory Committee established under Section 8-103B(c) to ensure coordination with existing low income program infrastructure offered through IHWAP and DCEO job training programs, as well the availability of comparable low income energy efficiency programs statewide.

d. BED Spending

The AG asserts that AIC's proposed BED spending should be re-allocated to its IQ program. The AG maintains that AIC's stated goal of increasing diverse employment within its service territory can be achieved through direct engagement with IHWAP, DCEO, the Community Action Agencies, and other non-profits and community-based organizations. The AG reiterates its support for AIC's stated interest in ensuring increasing employment opportunities for the Company's economically disadvantaged customers through the AIC energy efficiency programs. However, the AG expresses concern about the millions of dollars AIC has set aside.

The AG states that AIC admits that it has not investigated or compared the cost of its proposed initiative with existing job training and local employment that occurs through IHWAP and other DCEO-provided employment programs, such as DCEO's Office of Employment and Training, Office of Community Assistance and distribution of Community Service Block Grants. The AG asserts that these resources must be leveraged.

The AG states that AIC admits that it has not conducted communications specific to the BED implementation with the Community Action Agencies in AIC territory or with IHWAP. The AG suggests that the BED funds dedicated to this diverse employment goal should be re-allocated to the IQ program budget, which will utilize the Community Action Agencies that also assist in the implementation of IHWAP. The AG states this reallocation will increase efficiencies in training; recruitment will increase; and thereby the available pool of IQ program funding.

The AG recommends that the Commission should direct AIC to: 1) work with the SAG and members of the Economically Disadvantaged Advisory Committee to ensure coordination with existing low income program infrastructure offered through IHWAP and DCEO job training programs; and (2) re-allocate BED funds targeted for diverse hiring initiatives to the IQ program budget to ensure AIC's stated goals are achieved fully utilizing the Community Action Agencies and the IQ implementation infrastructure.

e. Flexible Payment Billing

The AG asserts that AIC's proposed Flexible Payment Billing proposal should be rejected. The AG states that AIC proposes that Flexible Payment Billing or "Flexpay" as

a rate design pilot, to be financed through the BED budget. AIC states Flexpay would enable residential customers to match the timing of payments for their energy service with their cash flow. The Company asserts the customer could better understand the reasons for and level of energy consumed and enable them to receive timely updates of electric and gas usage information via mobile devices. Mr. Mosenthal testifies that this proposal is commonly known in the utility industry as “Prepay.” Although, he says here the proposal is equipped with a different moniker and no automatic disconnection threat. Mr. Mosenthal asserts that the information that would be supplied under the proposal would mirror information that is already available today to customers with AMI who sign up for access to usage information. Moreover, he says, all of the potential behavioral savings that AIC would investigate under the proposal are not tied to a requirement to pay in advance for energy service or indeed any actual bill payment.

The AG asserts that although the Company states that it is not proposing a flexible billing payment option tariff for approval in this docket, AIC is seeking approval to spend ratepayer dollars on constructing such a pilot and approval to count energy savings recognized through evaluation toward annual savings goals. The AG states that, because of the concerns highlighted by Mr. Mosenthal and particularly in light of the Company’s request for modified CPAS goals, the Commission should reject this proposal and direct AIC to re-invest those dollars in the Company’s IQ program.

f. Summary

The AG recommends, in accordance with the arguments presented above, that the Commission should enter an order that specifically:

- rejects AIC’s request for approval of modified goals pursuant to Section 8-103B(f)(1);
- requires AIC to revise its Plan to reduce its overall cost/kWh such that the Plan achieves the cumulative statutory goals by 2021,
- requires AIC to maintain or augment its current budget allocation to IQ programs to the greatest extent possible;
- requires AIC to revise its budget allocations and implementation strategies in its IQ program to ensure maximum leveraging of the existing IHWAP implementation and training network as permitted under law;
- requires AIC to ensure its budget allocation of non-incentive program and portfolio costs between electric and gas funds based on the share of total resource gross benefits accruing to each energy system for each program, and to count some gas energy savings as electric savings based on btu conversions, as permitted under Section 8-103B(b-25);
- requires AIC to remove air conditioning unit installations as part of the IQ budget and reallocate those costs to more cost-effective IQ measures;
- requires AIC to re-allocate the BED funds for a job training and diversity initiative to its IQ program; focusing instead on ways of providing on-the-job training and improving diversity in job creation by contracting with diverse entities and community-based organizations to deliver its programs, in

consultation with the Economically Disadvantaged Advisory Committee, as well as fully leveraging the IHWAP existing training infrastructure and DCEO state job creation programs;

- rejects AIC's request to include its Flexible Payment Billing program in the Plan; and
- requires AIC to modify its Plan in any other manner that ensures cost efficiencies, and serves those customers who most need energy efficiency investments (low income customers) to the maximum extent practicable.

4. Commission Analysis and Conclusion

NRDC-CUB-EDF, the AG, and Staff have provided numerous suggestions as to how AIC could meet the statutory savings goal, while staying within the budget cap. Based on the record, the Commission finds that AIC should modify its Plan in a manner that ensures cost efficiencies and serves the customers, including low income customers, to the maximum extent practicable throughout its service territory.

The Commission notes that spending on R&D is allowed, but not required and finds that AIC should reallocate the R&D spending. The Commission concurs with the AG and finds that the funds for the Market Development Initiative should be reallocated to the IQ Initiative.

The Commission does not find that AIC's proposal to spend the entire required \$8.35 million of the Third Party Implementation Program to purchase measures to be delivered through national retailers and online stores to be consistent with the goals and objectives of Section 8-103B. The Commission suggests that to the extent possible the Third Party Implementation Program should be structured at least in part, to achieve, the goals identified in the Market Development Initiative: 1) increase the number of local, energy efficiency jobs held by diverse individuals within economically-challenged communities; 2) increase the number of diverse business entities that deliver energy efficiency services to Ameren Illinois customers; and 3) increase the number of participants from targeted diverse communities, throughout the Ameren Illinois service territory, that participate in Ameren Illinois energy efficiency programs. The Commission directs the Company to work collaboratively with SAG, the Economically Disadvantaged Advisory Committee and community-based organizations on the development of the request-for-proposal ("RFP") for the Third Party Implementation Program for years 2019-2021.

The Commission finds that AIC should focus its efforts on lowering its cost/kWh and thereby maximize its CPAS. The record reflects that AIC's cost/kWh for the IHWAP program is substantially higher than AIC or DCEO proposed in the 2016 Plan. AIC should avoid duplicating services and infrastructure unnecessarily. The Commission finds that AIC's efforts to achieve the savings targets should include leveraging the IHWAP existing training and implementation infrastructure, including training offered through the University of Illinois, as permitted by law, and DCEO state job creation programs.

The record reflects that AIC is budgeting \$4.7 million, 24% for air conditioners, for 304 MWh or 3% of the savings in its IQ program. The Commission finds that AIC should

redirect the funds in the IQ Program that are currently allocated for air conditioners to other, more cost effective programs.

The Commission finds that AIC should continue its collaborative efforts with SAG, the Economically Disadvantaged Advisory Committee, and other interested parties.

L. Riders

1. Rider EE

a. AIC's Position

AIC proposes to use Rider EE for the recovery of electric energy efficiency costs, in accordance with Section 8-103B(g)(5) and (g)(9). Rider EE was approved by the Commission on August 15, 2017 in Docket No. 17-0288. Mr. Goerss testifies that the Rider EE proposed in this docket conforms to the Rider EE approved in Docket No. 17-0288.

The Company states the evidence supports approval of Rider EE. Staff and the Company agree, with respect to all accounting and regulatory issues, and that the Commission should approve Rider EE and a revenue requirement of \$14,465,000.

b. Staff's Position

Ms. Ebrey testifies that she reviewed and analyzed AIC's Petition, the testimony, the underlying data, and responses to her data requests. She states that after the Company filed its direct testimony on June 30, 2017, the Illinois General Assembly acted to increase the corporate state income tax rate by an additional 1.75%. Ms. Ebrey explains that the corporate state tax rate is an input into the formula and thus should be updated to reflect the actual known tax rate which will be in effect during 2018 when the resulting rates from this proceeding are being charged to customers.

Ms. Ebrey states that in response to a data request, Ameren Illinois provided the formula rate schedules and work papers to reflect the 9.5% corporate state tax rate in its model. Ms. Ebrey recommends that the Commission approve the schedules and workpapers provided in response to that Staff data request and attached as Staff Exhibits 1.1 and 1.2 to this testimony.

Dr. David Brightwell testifies regarding calculation of the weighted average measure life ("WAML"), which in turn sets the amortization period of the regulatory asset that is created under Section 8-103B(e) and implemented by the EE Rider. Dr. Brightwell states that the determination of the WAML affects the revenue requirements for the regulatory assets associated with the 2017 and 2018 electric energy efficiency portfolios. He states that the WAML calculation was an issue in Docket No. 17-0288, where AIC's Rider EE was approved. Dr. Brightwell expresses concern that the two utilities intending to recover energy efficiency costs through an energy efficiency formula rate are not utilizing the same methodology in calculating the WAML. Staff maintains that all utilities recovering energy efficiency costs through a formula rate mechanism under Section 8-103B(d)(2) should calculate the WAML in the same manner.

Dr. Brightwell indicates that he testified about the differences between the two competing proposed methods for calculating WAML in Docket No. 17-0288, and provides additional clarification of the difference in the outcome between the two methodologies.

He explains that reasonable comparisons between the alternative methods, it is necessary to compare the net present values of expenditures. He states that this is done by discounting future expenditures into present day monetary values through a method called discounting.

Dr. Brightwell testifies that the outcome of comparisons depends on the discount rate applied. He states that the net present value of expenditures is lower under ComEd's method if discount rates below 5.8% are used and are lower under AIC's method if discount rates above 6.2% are used. He says that when discount rates in the 5.8% to 6.2% range are used, the methods yield similar net present values of expenditures. Dr. Brightwell states that reasonable arguments can be made in favor of both discount rates below 5.8% or above 6.2%. He discusses the arguments for discounts rates both above and below this range. Dr. Brightwell testifies that given the range of potentially appropriate discount rates and the corresponding difficulty in determining the effect of the net present value of the payments, he does not object in this proceeding to use of AIC's methodology at present.

Dr. Brightwell testifies that during the course of this proceeding, the Commission issued its Final Order in Docket No. 17-0288, approving AIC's Rider EE. He states the Commission found:

The parties agree that generally, under AIC's proposal, customers would make smaller payments over a longer period of time and under ComEd's proposal, customers would make higher payments over a shorter period of time. The Company and Staff agree that it would be difficult to determine the effect of the net present value of the payments, and no such analysis is presented in the record. The Commission notes all parties agree that both WAML methodologies are consistent with the law; that the WAML methodologies would affect rates differently; and that the effect either methodology will have on rates is unknown. The Commission adopts the recommendation of the AG and directs the Company and Staff, with interested parties, within 90 days, to present the issue of the WAML methodologies and their impact on energy efficiency regulatory asset amortization periods and customer rates, as well as the most appropriate implementation method, to the SAG, to attempt to reach a consensus. SAG shall file a report with the Commission summarizing the conclusions reached in the SAG process.

Dr. Brightwell recommends that the Commission make the same finding in the instant proceeding.

2. Rider APM

AIC proposes to use Rider APM for an adjustment to the return on equity component of the formula rate, in accordance with Section 8-103B(g)(8) & (9). Mr. Goerss testifies that pursuant to Section 8-103B(7.5), the adjustment, if any, shall be based upon

the “applicable annual incremental goal,” compared to the annual incremental savings determined by the independent evaluator.

Ms. Ebrey testifies that she reviewed the Company’s proposed Rider APM. She indicates that she did not find cause to take issue with the proposed tariff.

Staff recommends the Commission approve Rider APM

3. Rider GER

The Company proposes to continue with the use of Rider GER, as currently on file with the Commission, as the cost recovery mechanism for its gas energy efficiency programs.

4. Commission Analysis and Conclusion

Based on the record evidence and there being no objection, the Commission approves Riders APM and GER. Rider EE was approved in Docket No. 17-0288 on August 15, 2017. As noted by Dr. Brightwell, the Commission directed the Company and Staff, with interested parties, to present the issue of the WAML methodologies and their impact on energy efficiency regulatory asset amortization periods and customer rates, as well as the most appropriate implementation method, to the SAG, to attempt to reach a consensus. SAG was directed to file a report with the Commission summarizing the conclusions reached in the SAG process. Nothing in this Order is intended to modify the Commission’s conclusion on WAML in Docket No. 17-0288. Based on the record and at the recommendation of Staff, the Commission finds the revenue requirement of \$14,465,000 and the schedules and workpapers identified as Staff Exhibits 1.1 and 1.2 to be just and reasonable. The Commission directs AIC to make a compliance filing setting the rates to be effective with the January, 2018 billing period.

M. Rebates and Data Usage

1. RESA’s Position

RESA asserts that all rebates under the Plan should be brand and technology neutral. RESA states that it is not clear from the Plan whether rebates would be limited based on the brand of a product or the technology that the product uses. For example, it says that it is not clear what types of smart thermostats would be eligible for rebates in AIC’s Plan. RESA asserts that if AIC were to limit rebates for smart thermostats to those only utilizing Wi-Fi technology, it would be disqualifying Direct Energy’s Hive smart thermostat product, which does not rely on Wi-Fi as its communication protocol. RESA explains that with Hive, customers can control their heating and cooling, lights, plugs and sensors through a mobile application. RESA states that Direct Energy’s Hive smart thermostat product relies on Zigbee, which is a wireless technology that is a simpler and less expensive communications protocol than Wi-Fi.

RESA states that many technologies can provide tangible energy or cost savings while others provide valuable insight into a customer’s usage and costs which may lead to tangible actions that further reduce energy usage. RESA asserts that AIC’s programs should, with reasonable requirements for meeting the program specifications, be open to brand neutral technologies that customers may wish to choose on the open market. RESA maintains that AIC should allow reasonable input into the program specifications

that would ensure the broadest possible spectrum of brand neutral technologies to qualify for inclusion in the programs proposed by AIC.

With regard to technology selection for inclusion in the programs, RESA suggests that AIC adopt, wherever possible and appropriate, an application process whereby potential vendors, manufacturers, or providers of energy efficiency measure technologies can be apprised of the program specifications and apply for eligibility in whatever program(s) that particular technology may be suited for (for example, smart thermostats for residential, low-income or multi-family programs and energy measurement or monitoring technologies for business programs). RESA states that such an application process would allow AIC and its program administrator(s) the ability to verify a technology's qualifications for inclusion in the program while at the same time ensuring AIC's customers have the broadest spectrum of products available to them to meet their and the state's energy efficiency goals.

RESA notes Mr. K. Martin's testimony that AIC's past practices and the Plan generally align with Mr. Gibbs' recommendation. He indicates that AIC has and will remain brand neutral to the extent that a product's qualification aligns with the features and criteria detailed in the approved IL-TRM and that AIC uses independent certifications like ENERGY STAR to identify products that meet acceptable quality and efficiency standards. Specifically regarding thermostats, Mr. K. Martin testifies that AIC currently provides rebates for various thermostat brands that meet the applicable screening criteria and that AIC will continue to evaluate new products as they are introduced into the marketplace.

RESA asserts that the process for rebates should be simplified and streamlined. It states that rebates should be available at the point of sale or through a simplified application process, for example, a tri-fold brochure which includes an application for the rebate that would be submitted to AIC's program administrator, with payment going directly to the customer or the supplier of the product for which the rebate is offered. Mr. Gibbs recommends that AIC utilize a rebate process similar to that used by the New Jersey Board of Public Utilities (see: <http://www.njcleanenergy.com/main/rebates-and-promotions/rebates-and-promotions>).

RESA states that by properly structuring the flow of energy efficiency rebates, they can be made available to a customer at the point of sale. It says, for example, a streamlined rebate process would allow a third party to offer a discounted thermostat—and instant rebate—to a customer. RESA explains that after the point of sale and pursuant to appropriate verification requirements, the third party would submit a rebate request to the utility. RESA states that customers may prefer an instant rebate because many technologies, such as smart thermostats, have high upfront costs that a customer may not want to incur even though the long-term benefit substantially exceeds the upfront cost. Additionally, it says, many customers may not want to go through the administrative process and delay associated with submitting a standard paper rebate form. Streamlining the process improves the customer experience and increases the accessibility of energy efficient technologies to customers within AIC's service territory. However, a customer who chooses to buy the product and submit the application with a receipt for the rebate directly to AIC or its program administrator and receive the rebate directly should be able to do so.

RESA states that in response to Mr. Gibbs' recommendation, Mr. K. Martin testifies that AIC's past practices and Plan generally align with his recommendation. RESA states that AIC indicates that it has offered and will continue to offer a simplified incentive process, including incentives at the point of purchase with the discount recognized at the cash register, with no application or rebate process form required. Specifically with respect to smart thermostats, AIC indicates that rebates are offered via an online application, which can be submitted from a smart phone. Smart thermostat rebates may also be provide at the point-of-purchase with the discount recognized at the cash register.

RESA asserts that the use of data obtained through energy audits should be limited. Mr. Gibbs testified that RESA has no objection to AIC's use of data obtained through energy audits to perform program evaluation and analysis. However, RESA is concerned about the use of that data to perform analytics and offer recommendations on how to reduce overall energy consumption. Such services would compete with services available through the private market. For example, Direct Energy offers home energy audits, using customer data to perform analytics and offer recommendations on how to reduce overall energy consumption. At a minimum, the Commission should prohibit AIC from providing data obtained through energy audits to any affiliate or preferred vendor unrelated to this filing in order for that affiliate or preferred vendor to provide data analytics and/or energy conservation products. (RESA Ex. 1.0, pp. 7-9)

In response to RESA's position on this matter, Mr. K. Martin testifies that to the extent that RESA is attempting to modify the roles and responsibilities of competitive retail electric suppliers in the State of Illinois or gain access to customer's confidential energy usage information, such policy issues are better addressed in other data privacy dockets with the Commission.

RESA recommends that the Commission direct AIC to continue to maintain brand and technology neutrality throughout its energy efficiency portfolio, subject to the technological specifications and requirements set forth in the IL-TRM. RESA also recommends that the Commission direct AIC to continue to explore opportunities to streamline and simplify the rebate application and delivery processes associated with the measures offered under the Plan, including but not limited to smart thermostat measures. Further, RESA suggests that the Commission should prohibit AIC from providing data obtained through energy audits to any affiliate or preferred vendor in order for that affiliate or preferred vendor to provide data analytics and or/energy conservation products.

2. AIC's Position

Ameren Illinois states that although RESA does not contest any aspect of the 2018 Plan, it wants AIC's 2018 Plan to meet even more requirements than the extensive requirements already set by statute. Mr. K. Martin testifies that the brand/technology neutral and streamlined rebate process is unnecessary. He states the request to limit the use of customer data is potentially harmful to customers. AIC recommends that RESA's requests be denied.

In its Reply Brief, AIC voices concern about RESA's position as to whether the Company should be allowed to use customer data to "perform analytics and offer recommendations on how to reduce overall energy consumption," because other market participants sell similar services. The Company reiterates Mr. K. Martin's testimony that

the practical effect of granting that request would be harming both consumers and energy efficiency efforts. AIC states that energy audits are designed to give customers “a tangible plan detailing actions and measures that may be implemented or installed.” It cautions that RESA's recommendation may prohibit AIC from providing the opportunity to participate in measures that are part of the 2018 Plan and, in turn, restrict customers from participating in measures that they fund. AIC recommends that RESA's proposal be denied.

3. Commission Analysis and Conclusion

The Commission recognizes the concerns raised by both RESA and AIC. The Commission notes that AIC maintains brand and technology neutrality throughout its energy efficiency portfolio. Although RESA raises concerns about data usage, there is no dispute between the parties at present. No Commission finding is necessary at this time.

IV. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having given due consideration to the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) Ameren Illinois Company d/b/a Ameren Illinois is an Illinois corporation that is engaged in the transmission, distribution, and sale of electricity and the distribution and sale of natural gas to the public in Illinois and is a public utility within the meaning of Section 3-105 of the Public Utilities Act;
- (2) the Commission has jurisdiction over Ameren Illinois Company d/b/a Ameren Illinois and the subject matter of this proceeding;
- (3) the findings of fact and conclusions of law set forth in the Commission Analysis and Conclusion portions of this Order are supported by the evidence in the record and are hereby adopted as findings of fact and conclusions of law;
- (4) the testimony and exhibits admitted into evidence provide evidence that Ameren Illinois Company d/b/a Ameren Illinois' revenue requirement of \$14,465,000, is just and reasonable;
- (5) the inputs filed as Staff Exhibits 1.1 and 1.2 to establish the initial revenue requirement for the Transition Period, meet the requirements of Section 8-103B of the Public Utilities Act and Ameren Illinois shall begin collecting the approved EE Charges from all Customers, who are not Exempt Customers starting with the January, 2018 billing period;
- (6) the testimony and exhibits admitted into the record provide substantial evidence that the Energy Efficiency and Demand Response Plan filed by Ameren Illinois will meet the filing requirements of Section 8-103B and 8-104(f) of the Public Utilities Act, if Ameren submits a revised electric and natural gas Plan in a compliance filing within 30 days of the date of this Order that incorporates and is consistent with the conditions and requirements stated herein; and

- (7) Ameren Illinois shall make a filing within 30 days of the date of this Order providing a revised Electric and Gas Energy Efficiency and Demand Response Plan pursuant to Section 8-103B and 8-104 of the Public Utilities Act, which revised plan contains terms and provisions consistent with and reflective of the findings and determinations made in this Order.

IT IS THEREFORE ORDERED that the Petition filed by Ameren Illinois Company d/b/a Ameren Illinois requesting approval of Electric and Gas Energy Efficiency and Demand Response Plan is hereby conditionally approved, subject to Ameren Illinois Company d/b/a Ameren Illinois filing a compliance filing that incorporates the findings and conclusions herein and is consistent with the conclusions contained herein.

IT IS FURTHER ORDERED that the inputs filed as Staff Exhibits 1.1 and 1.2 to establish the revenue requirement of \$14,465,000, are hereby approved.

IT IS FURTHER ORDERED that Ameren Illinois Company d/b/a Ameren Illinois is authorized and directed to make a filing within 30 days of the date of this Order, such filing being a revised Electric and Gas Energy Efficiency and Demand Response Plan pursuant to Section 8-103B and 8-104 of the Public Utilities Act, which revised plan contains terms and provisions consistent with and reflective of the findings and determinations made in this Order.

IT IS FURTHER ORDERED that Ameren Illinois Company d/b/a Ameren Illinois is authorized and directed to begin collecting the approved EE Charges from all Customers, who are not Exempt Customers, starting with the January, 2018 billing period.

IT IS FURTHER ORDERED that any objections, motions or petitions filed in this proceeding that remain unresolved should be disposed of in a manner consistent with the ultimate conclusions contained in this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Illinois Administrative Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

DATED:
BRIEFS ON EXCEPTIONS DUE:
REPLY BRIEFS ON EXCEPTIONS DUE

August 29, 2017
September 1, 2017
September 6, 2017

Jan VonQualen,
Administrative Law Judge